



STRICTLY CONFIDENTIAL: DO NOT SHARE

Project Basecamp - Optionality

4/14 discussion

DRAFT for discussion (WIP)

Other relevant documents:

[User Choice MGPB](#) (owner: Paul Feng)

[Thoughts about Play promotion of Alternate App Stores \(DRAFT\)](#) (owner: Paul Feng)

EXHIBIT 388.R

EXHIBIT 388.R-001

Agenda for today

Recap of payment processing cost structure - 3P vs Google

Path forward on the solution and pricing

Backstop solutions with alt monetization models (Sameer's ask)

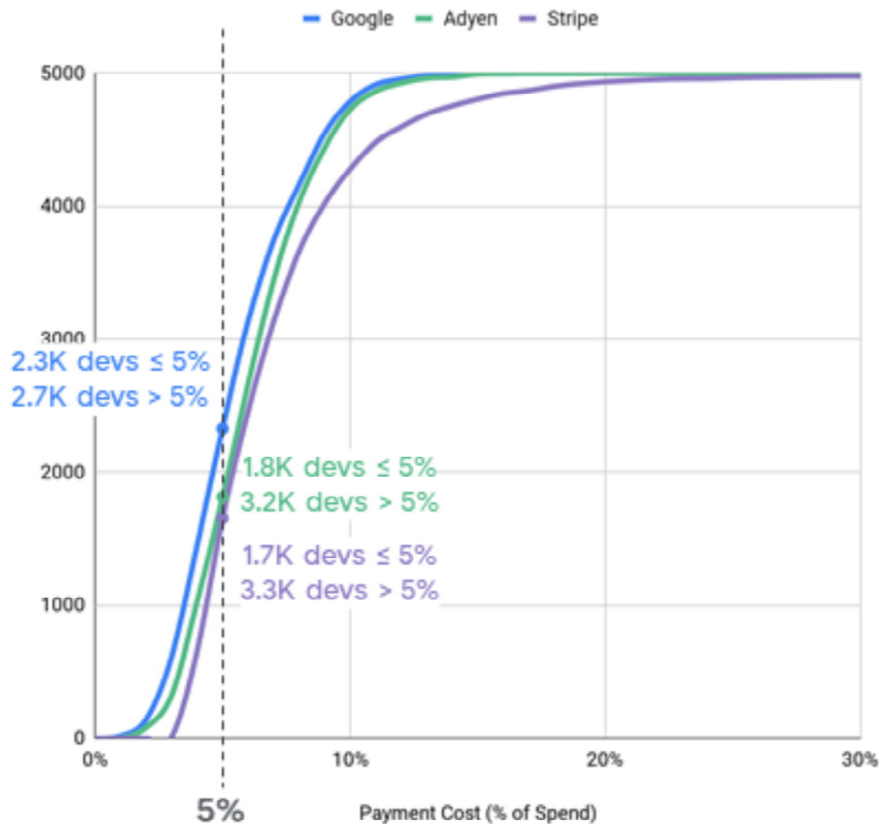
Google

EXHIBIT 388.R-002

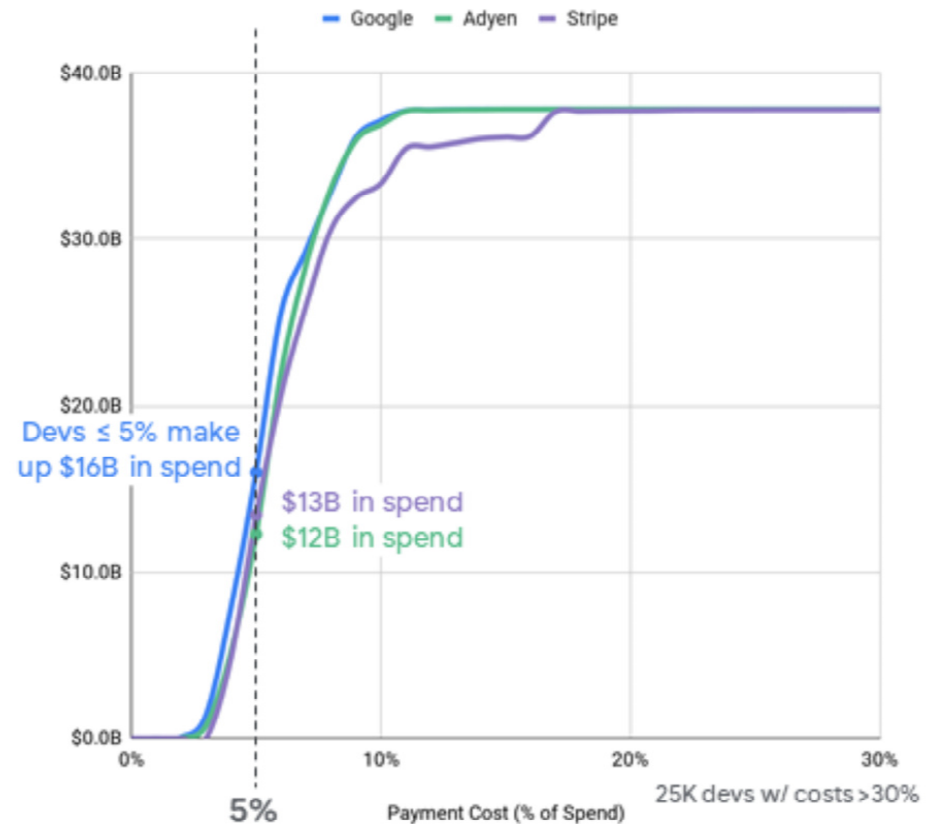
Distribution of developers by estimated payment costs (Top 5,000 Developers, includes DCB and GC)

Proprietary & Confidential

Cumulative Distribution of Developers by Payment Cost



Cumulative Spend Coverage of Developers by Payment Cost



*Actual costs will vary depending on provider and negotiated prices

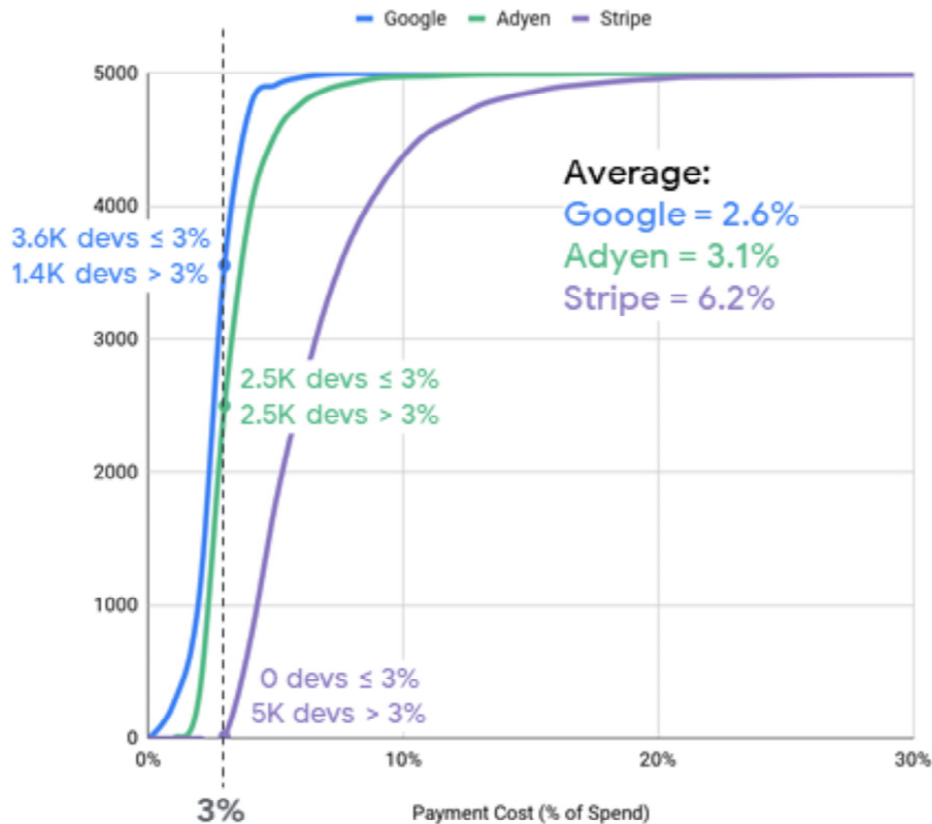
ogle

EXHIBIT 388.R-003

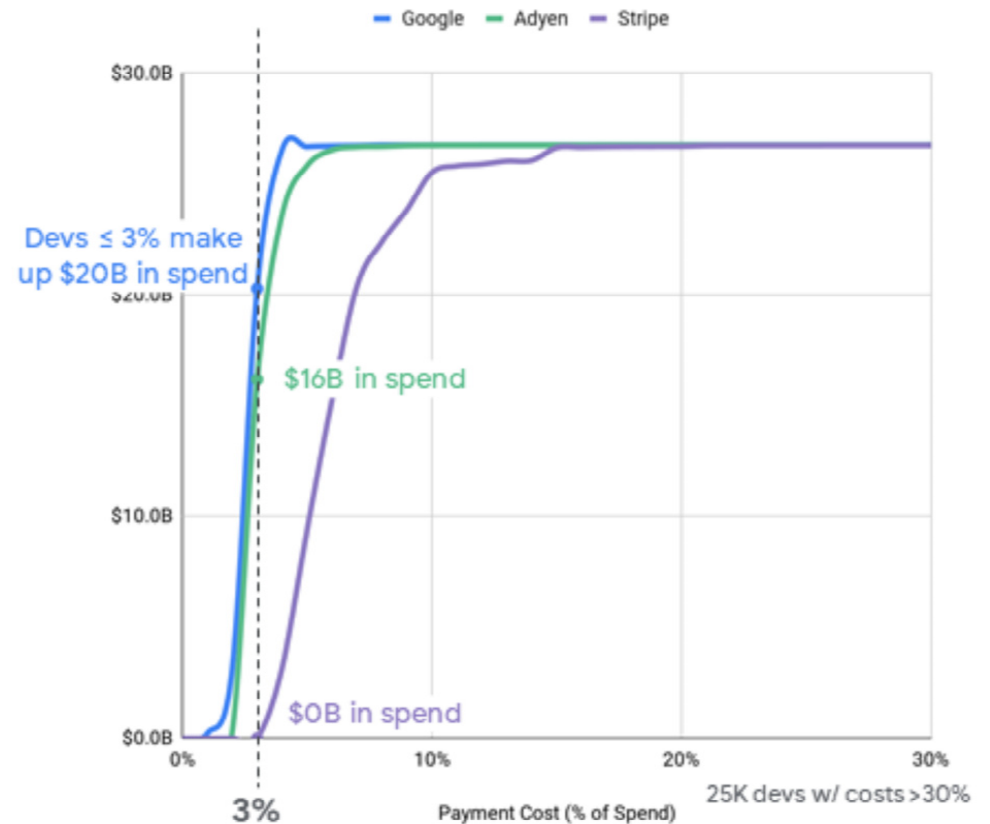
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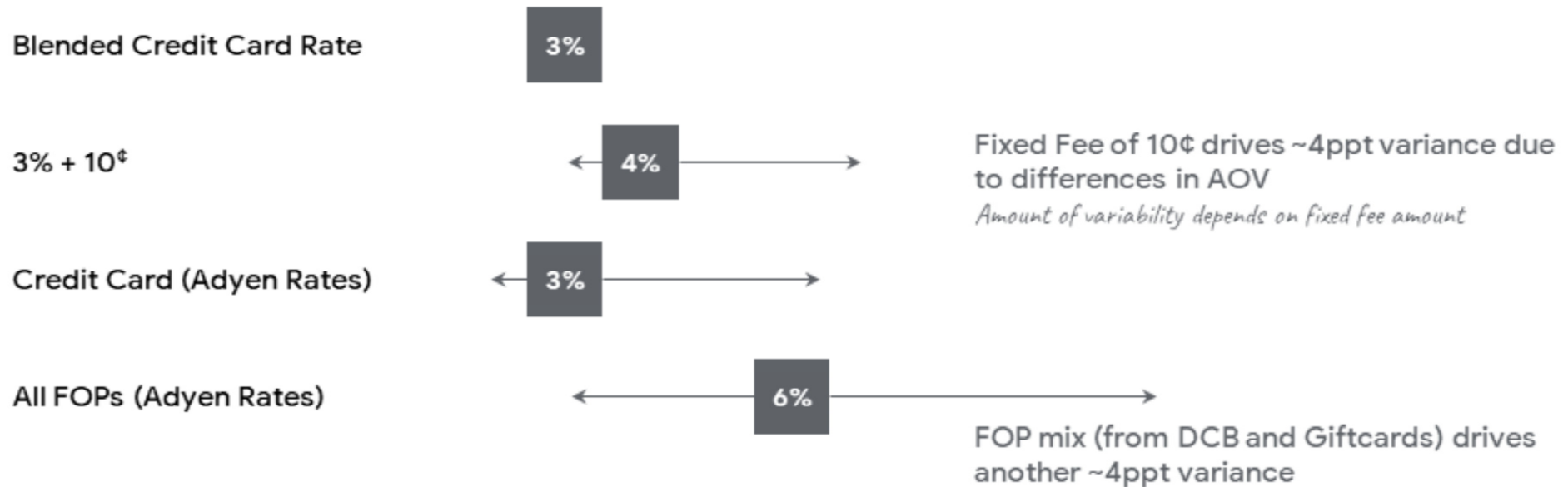


*Actual costs will vary depending on provider and negotiated prices

ogle

EXHIBIT 388.R-004

Payment Processing Costs Variability (Top 100 developers only)



Google

EXHIBIT 388.R-005

Agenda for today

Recap of payment processing cost structure - 3P vs Google

Path forward on the solution and pricing

Backstop solutions with alt monetization models (Sameer's ask)

Google

EXHIBIT 388.R-006

Reminder: decided to explore phased approach

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Phase 1

Core issue

30% is too high

Ecosystem
action/response

Ask for Billing optionality
*Core assumption: billing optionality
 would reduce rev share materially*

15% for the first \$1M (Runway)

+

Play response

Unbundle billing with X% service
 fee reduction
 (X~= cost of payment
 processing)

Service fee charged for
 discovery/distribution +
 (optional) billing

Phase 2 - Follow up

Large devs : (30-X)% is too high

(preempted)

Ask for Distribution
optionalityPreempt dev agitation
througha.) Private deals -
AVP/GVP/LRAP/ADAP

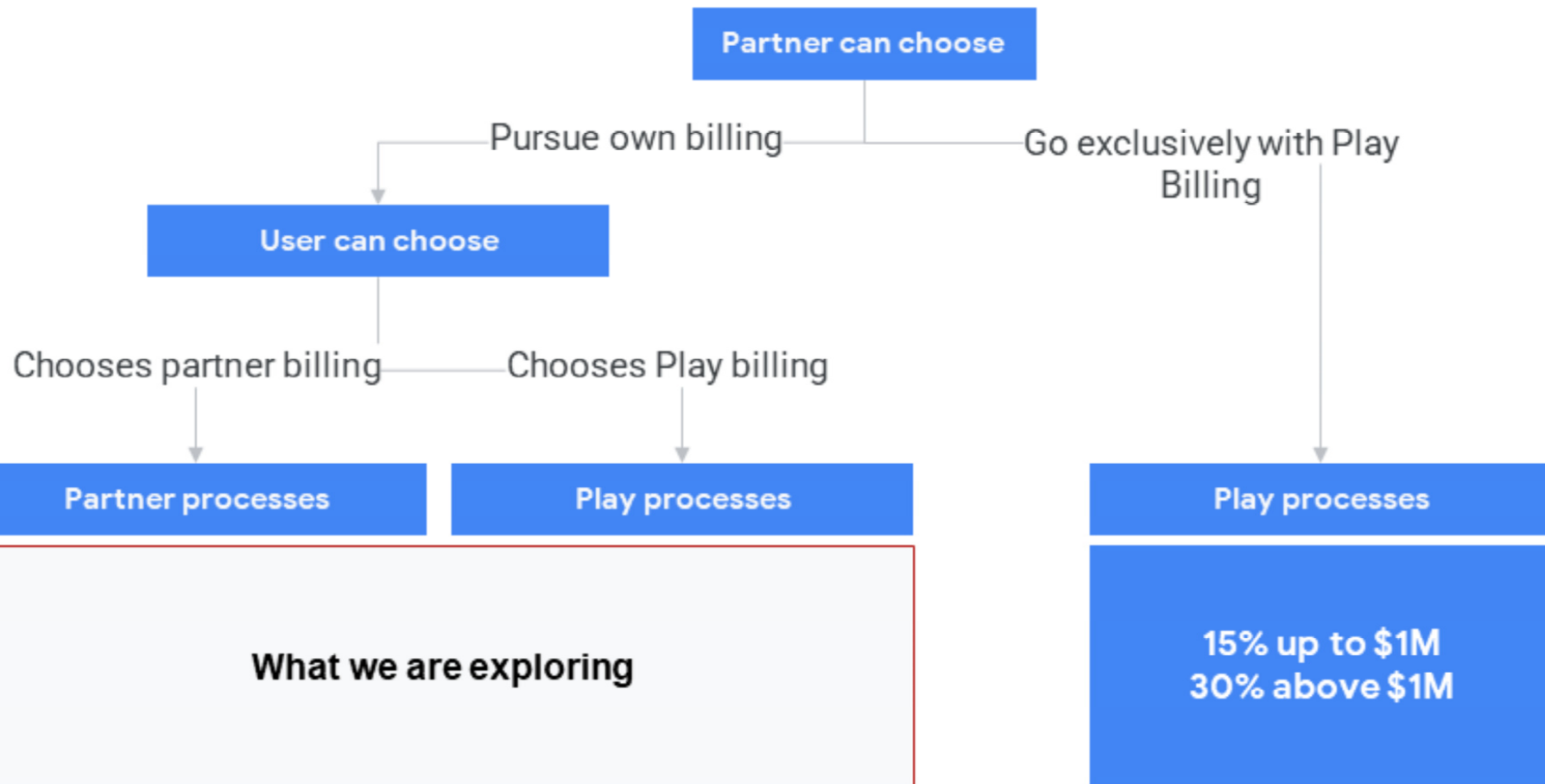
b.) Public programs - Rev
 share incentives aligned
 with Play objectives (eg
 tenured buyer discounts,
 bounties)

Make it easier for 3P
stores to distribute

Google

EXHIBIT 388.R-007

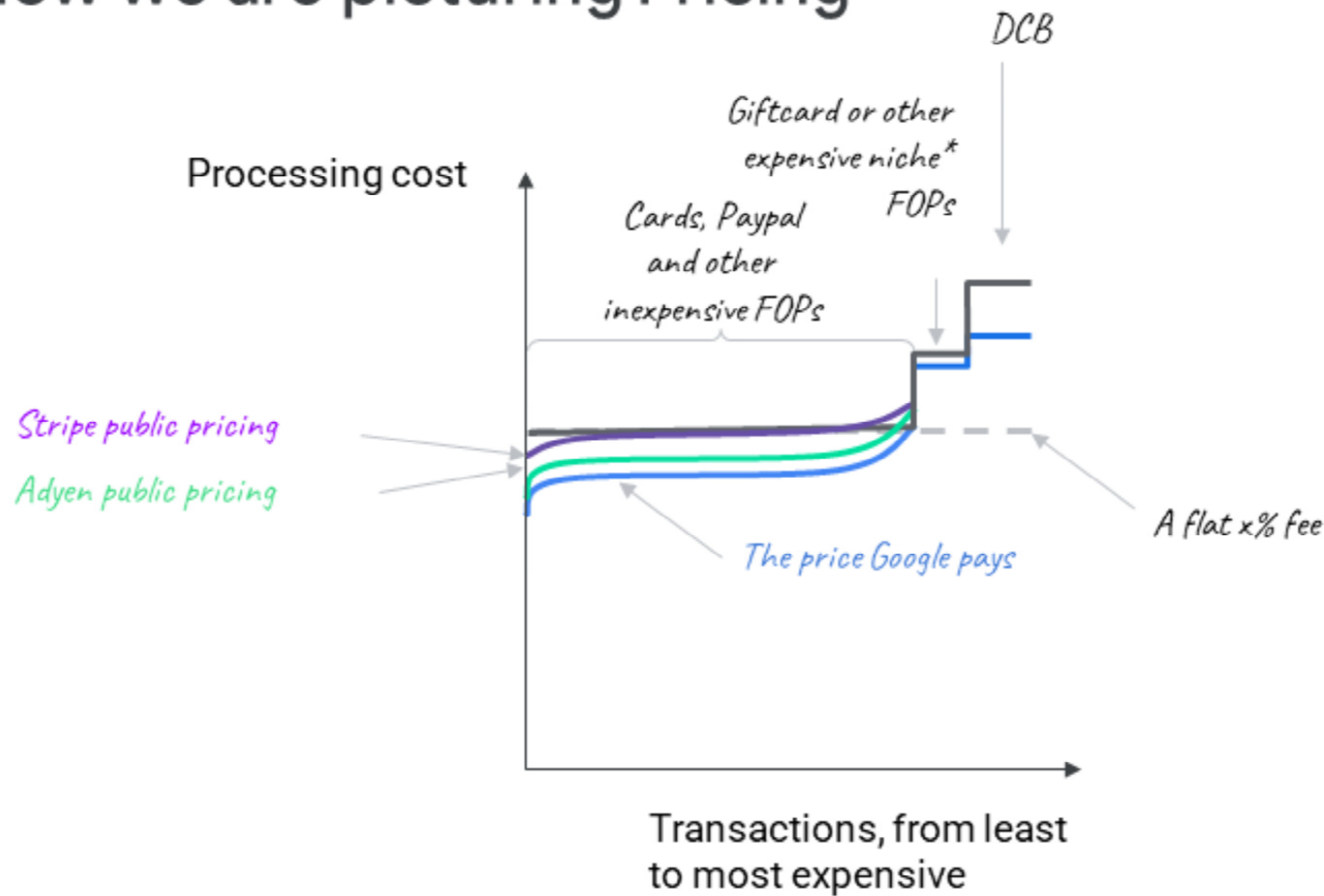
What we are exploring



Google

EXHIBIT 388.R-008

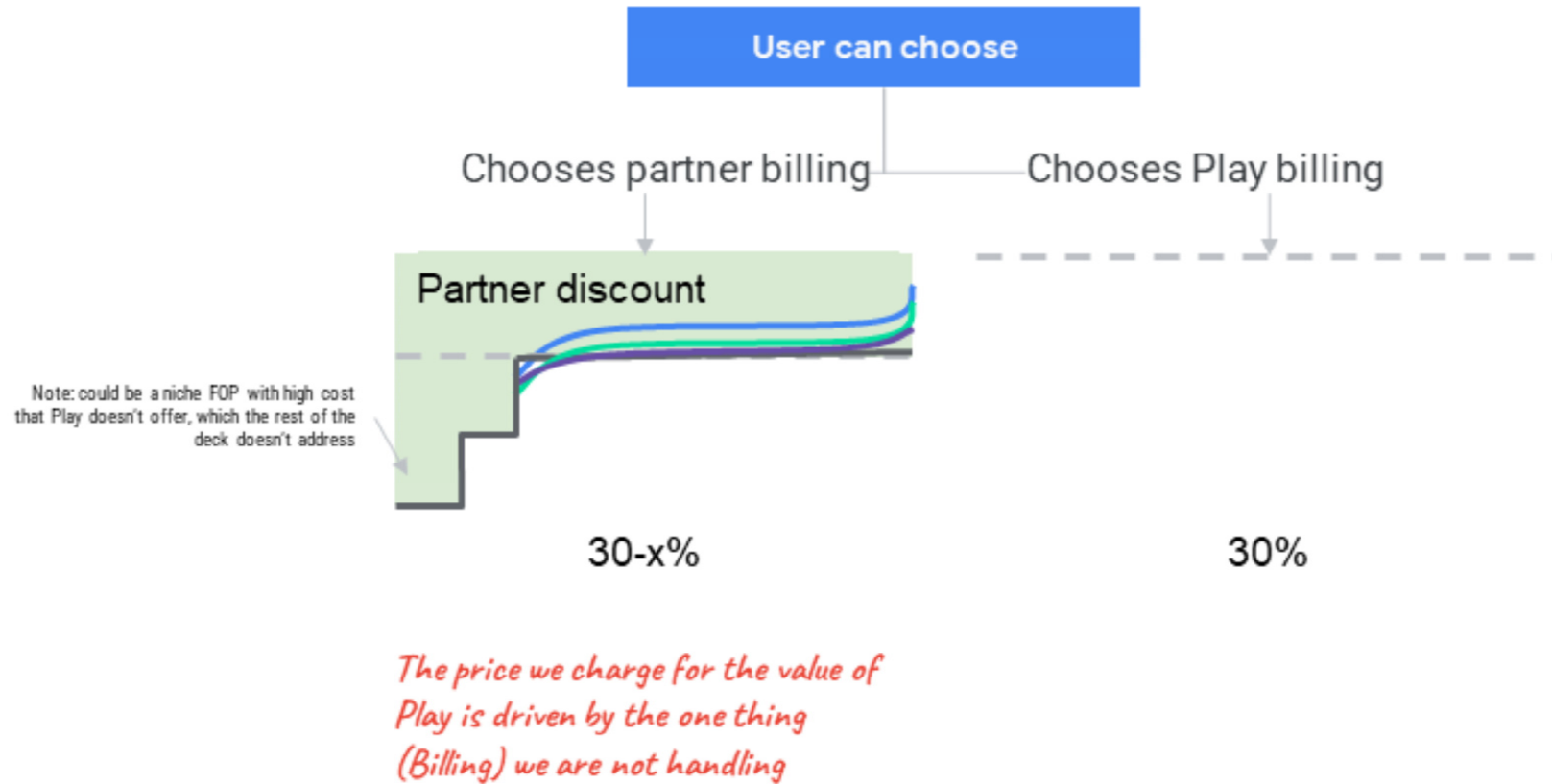
How we are picturing Pricing



Google

EXHIBIT 388.R-009

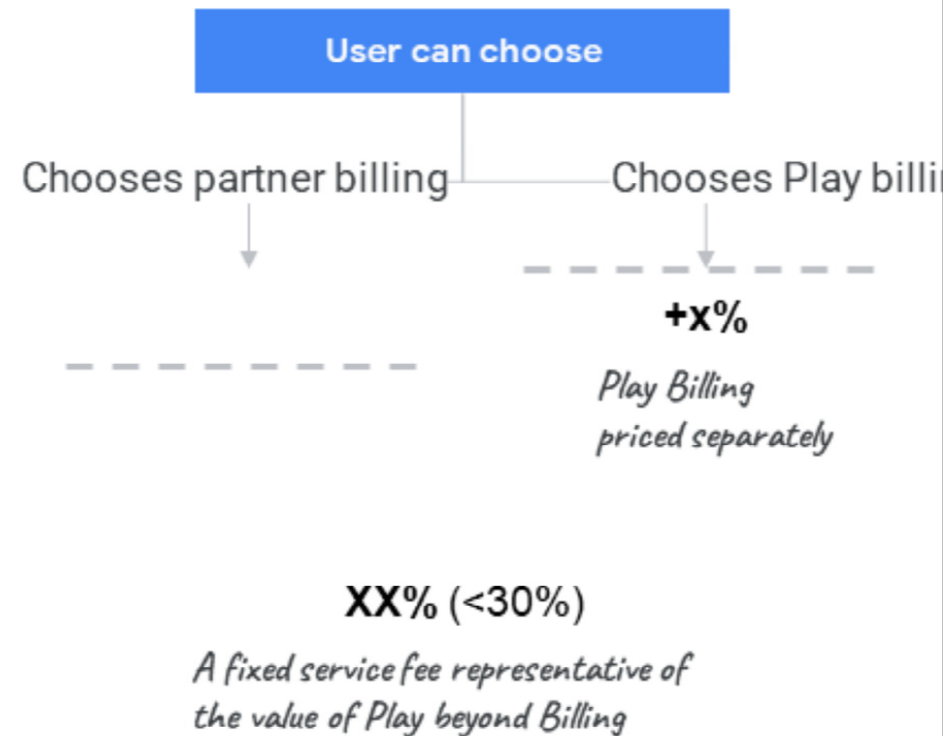
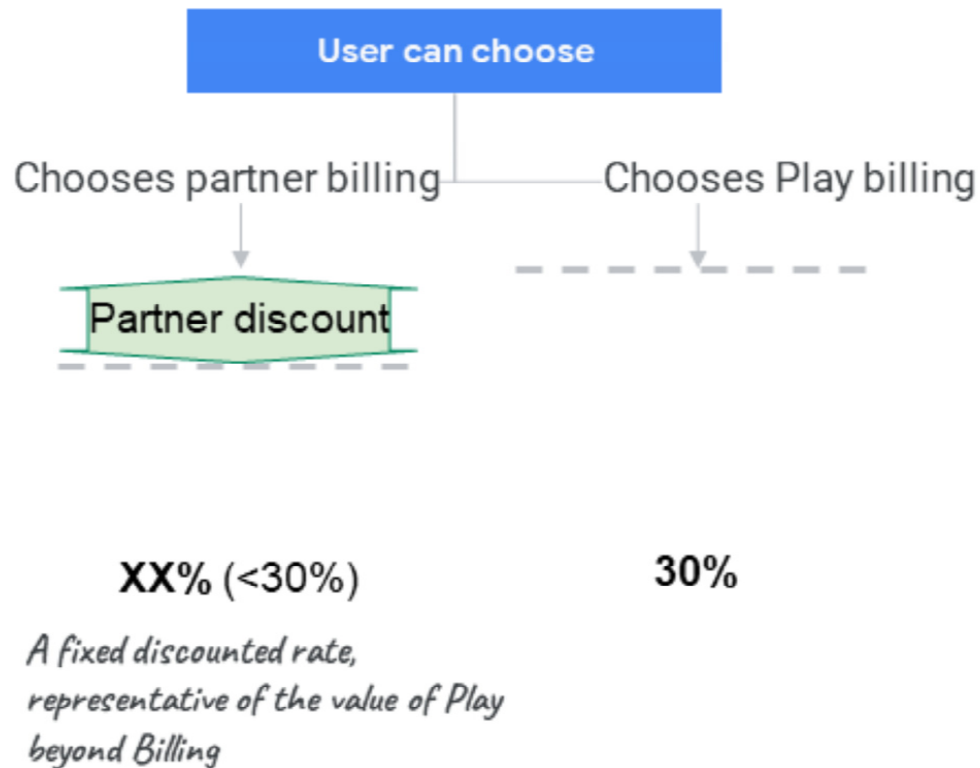
Pricing at 30-x creates issues if x depends on FOP



Google

EXHIBIT 388.R-010

Explored 2 types of options...

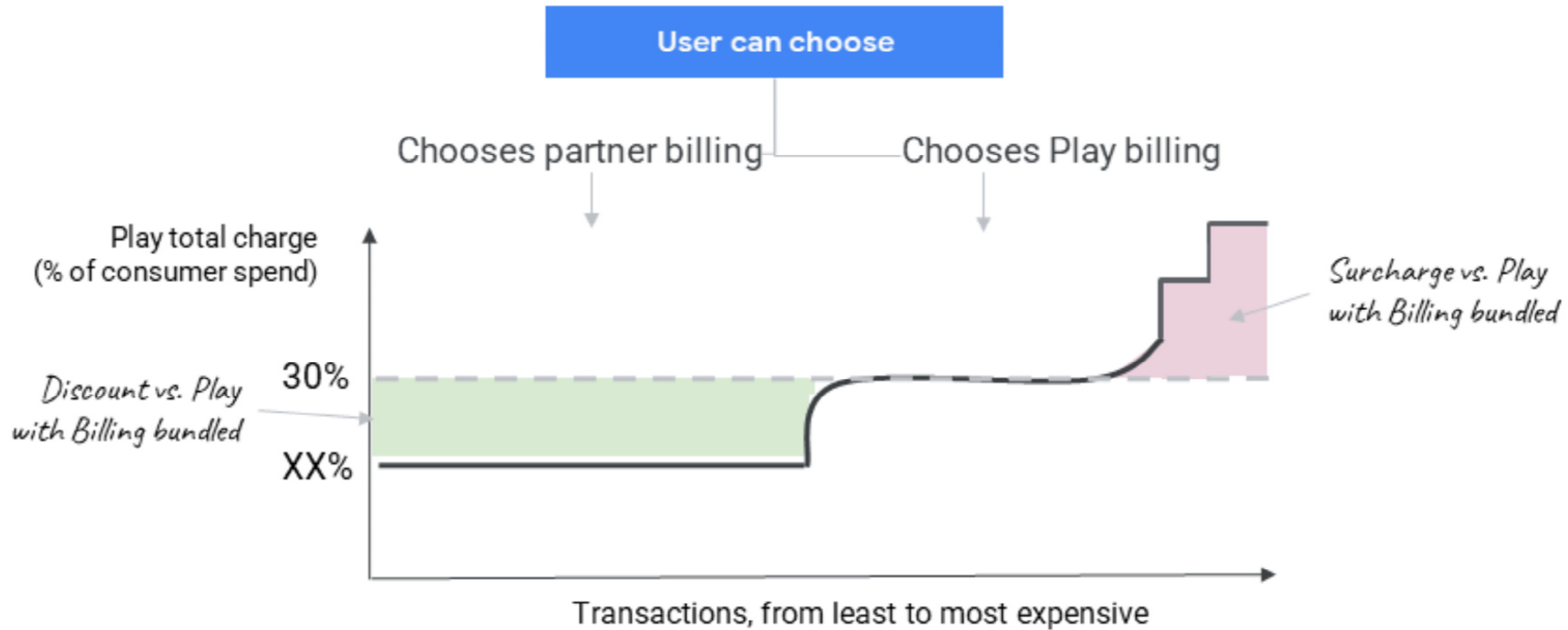


Google

EXHIBIT 388.R-011

...Also explored pricing options where total charge >30% for some transactions

Note: legal ramifications?



Google

EXHIBIT 388.R-012

Developers likely reaction to select discrete options

Option	15% developers	Large developers who would unbundle at any price	Large developers who would unbundle to save	
			Consumer spend w/ choice	Dev incentive to steer user choice
28% + FOP fee	Not impacted	Will unbundle if given the option	\$0	
25% + FOP fee			\$ (~\$0-1B)	++
25% + 5%			\$\$ (~\$1-10B)	+
20% + FOP fee		Will attempt to move consumers to their billing platform	\$\$\$ (~\$20B+)	+++
20% + 10%			\$\$\$ (~\$20B+)	+++

Google

EXHIBIT 388.R-013

WYHTB - option 1

Option <i>Our breakeven</i>	15% developers	Large developers who would unbundle at any price	Large developers who would unbundle to save	
			Consumer spend w/ choice	Dev incentive to steer user choice
28% + 2%	<i>We are comfortable announcing such a discount</i> Not impacted + <i>regulators will be satisfied that these devs unbundle</i>	Will unbundle if given the option Will attempt to move billing platform	\$0	
25% + FOP fee			\$ (~\$0-1B)	++
25% + 5%			\$\$ (~\$1-10B)	+
20% + FOP fee			\$\$\$ (~\$20B+)	+++
20% + 10%			\$\$\$ (~\$20B+)	+++

Google

EXHIBIT 388.R-014

WYHTB - option 2

Option <i>Our breakeven</i>	15% developers	Large developers who would unbundle at any price	Large developers who would unbundle to save	
			Consumer spend w/ choice	Dev incentive to steer user choice
28% + 2%	<i>... charging devs that choose to unbundle possibly more than 30%...</i> <i>We are comfortable announcing such a discount ...</i>	Will unbundle if given the option	\$0	
25% + FOP fee			\$ (~\$0-1B)	++
25% + 5%		Will attempt to move consumers to their billing platform	\$\$ (~\$... & heightening incentive to influence user choice to save \$\$	+++
20% + FOP fee			\$\$\$ (~\$20B+)	+++
20% + 10%			\$\$\$ (~\$20B+)	+++

Google

EXHIBIT 388.R-015

WYHTB - option 3

Option <i>Our breakeven</i> ↓	15% developers	Large developers who would unbundle at any price	Large developers who would unbundle to save	
			Consumer spend w/ choice	Dev incentive to steer user choice
28% + 2%	Not impacted	Will unbundle if given the option	\$0	
25% + FOP fee			\$ (~\$0-1B)	++
25% + 5%			\$\$ (~\$1-10B)	+
20% + FOP fee		Will attempt to move consumers to their billing platform	\$\$\$ (~... & putting more \$\$ at risk to (materially? marginally?))	
20% + 10%			\$\$\$ (~ protect user experience +++)	

We are comfortable announcing such a discount ...

Google

EXHIBIT 388.R-016

Additional Considerations for disintegration

- Economic considerations
- Diversity of FOP and geo
- Complexity of disintegration (product requirements)

Google

Agenda for today

Recap of payment processing cost structure - 3P vs Google

Path forward on the solution and pricing

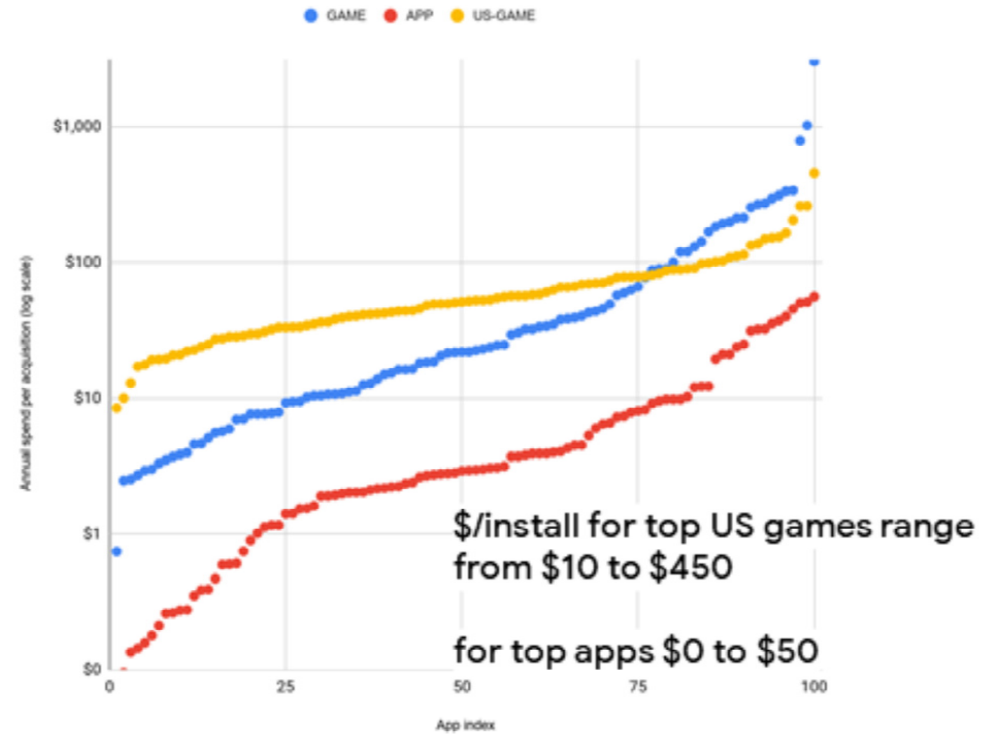
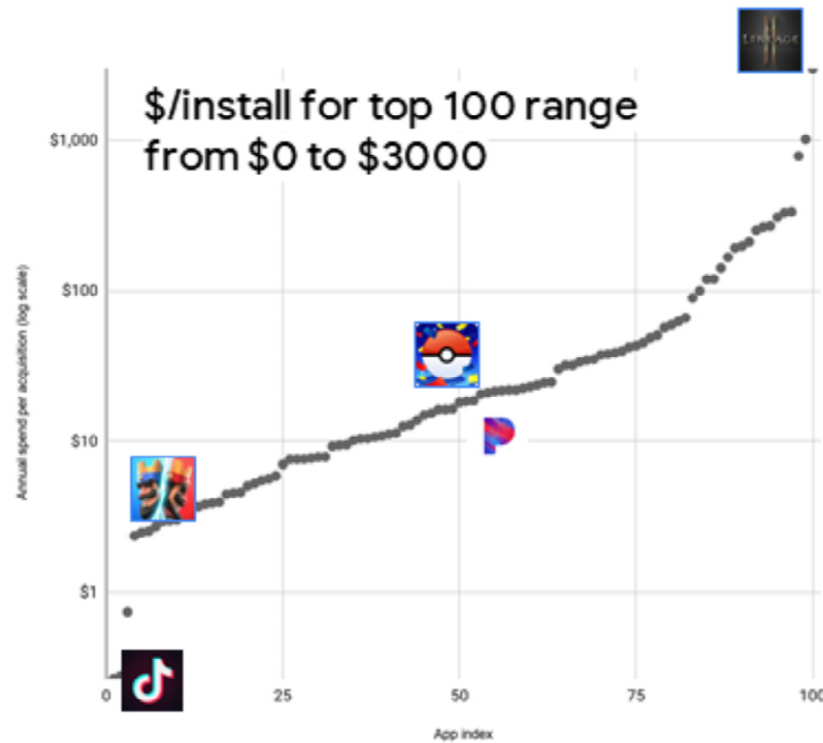
Backstop solutions with alt monetization models (Sameer's ask)

Google

EXHIBIT 388.R-018

\$ per install: Distribution across apps

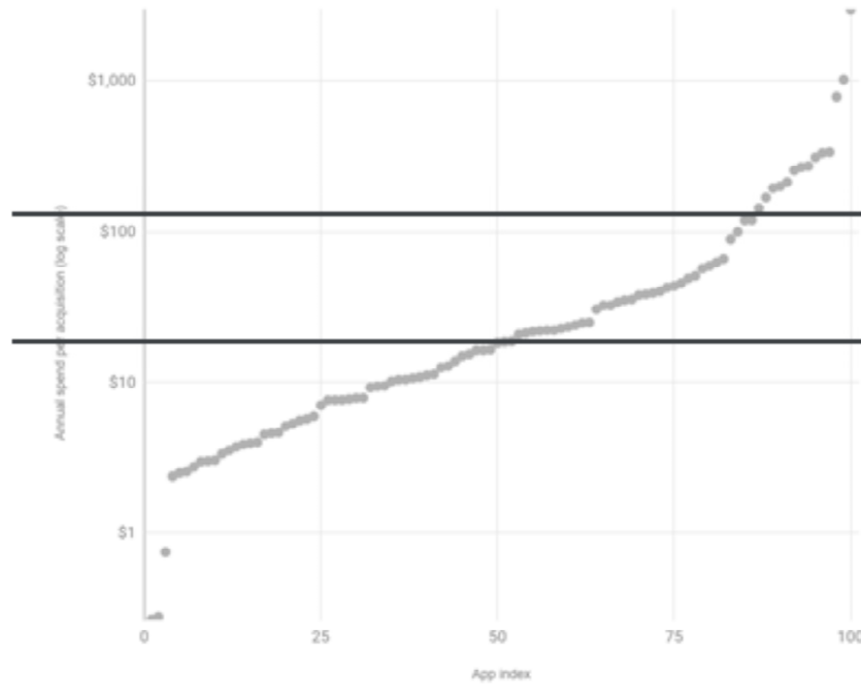
Annual spend per acquisition across top 100 apps and games



Google

EXHIBIT 388.R-019

\$ per install: Fixed charge



Avg. ~\$150 per install

To achieve same level of spend, would be overcharging most developers

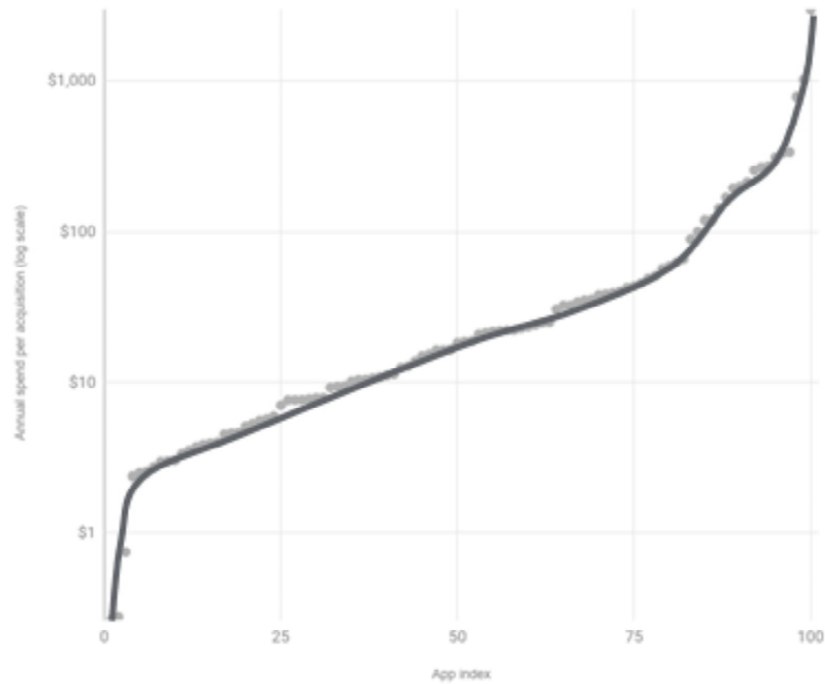
Medium: ~\$20 per install

Significant price arbitrage and half of developers would still be overcharged

Google

EXHIBIT 388.R-020

\$ per install: Variable charge



How to estimate ahead of time or for new games?

➔ *We have an Ads model that already solves for these complexities*

Google

EXHIBIT 388.R-021

Alternative ways to charge: Other measure

- Time spent
- Active users
- Opens
- GB/Updates

Aside from consumer spend, what are the most reliable predictors of value captured by the developer?

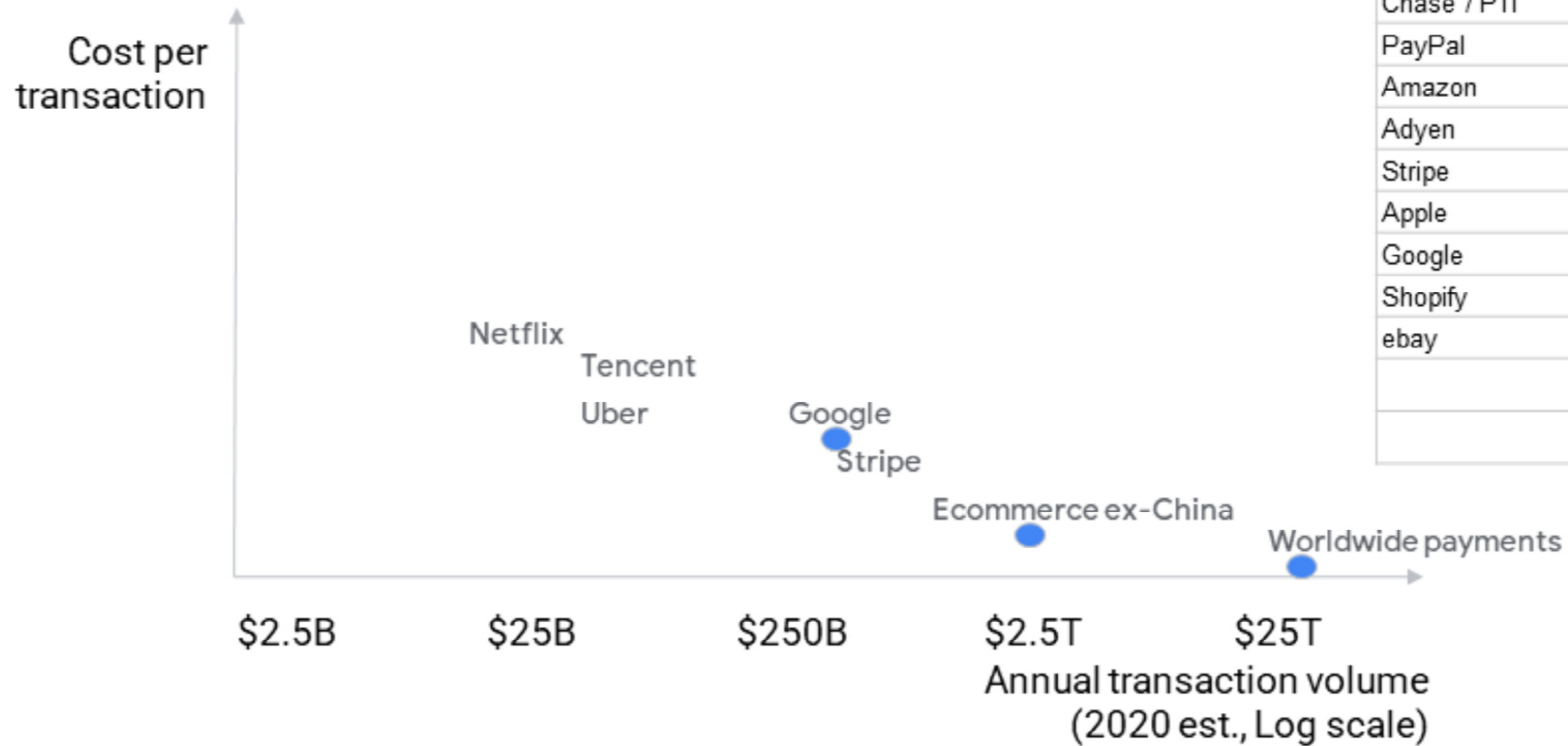
Anything else or is the above a comprehensive list
(reminder: Play Pass analysis)?

Google

Appendix



Google's scale in payments



Company	GMV (\$B)
FIS/Worldpay	1,700
Chase / PTI	>1,000
PayPal	936
Amazon	490
Adyen	367
Stripe	350
Apple	300
Google	300
Shopify	120
ebay	100

Notes:
https://static.googleusercontent.com/media/pay.google.com/en//about/business/static/data/GPay_RTP_2019.pdf
 GMV #s

Google

EXHIBIT 388.R-024

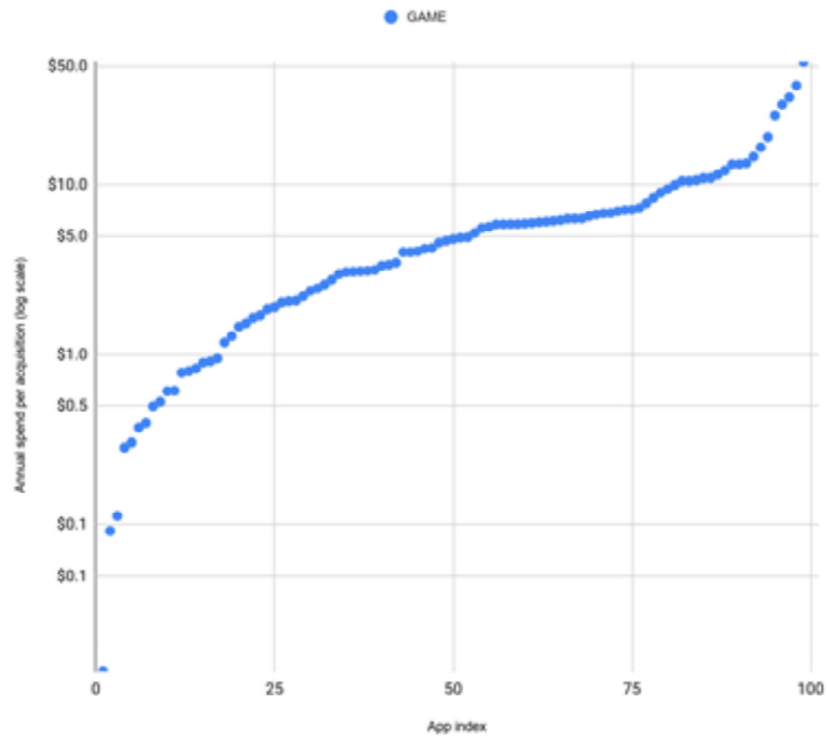
PSP fees - Market rates

	<u>Who prices this way</u>	<u>Illustration</u>
"10% all in" 5-15%	All in one solutions for whom Payment Processing is part of a broader package	Memberful, Substack, Subscribe w Google, EPIC Store
$30^c + 2.9\%$	PSPs that focus on simplicity and ease of integration	Stripe, Paypal, Shopify, Authorize.net...
$X^c + \text{FOP specific cost passthrough (itself typically } X^c + X\%)$	PSPs that focus on cost optimization	Adyen, WorldPay, Chase,

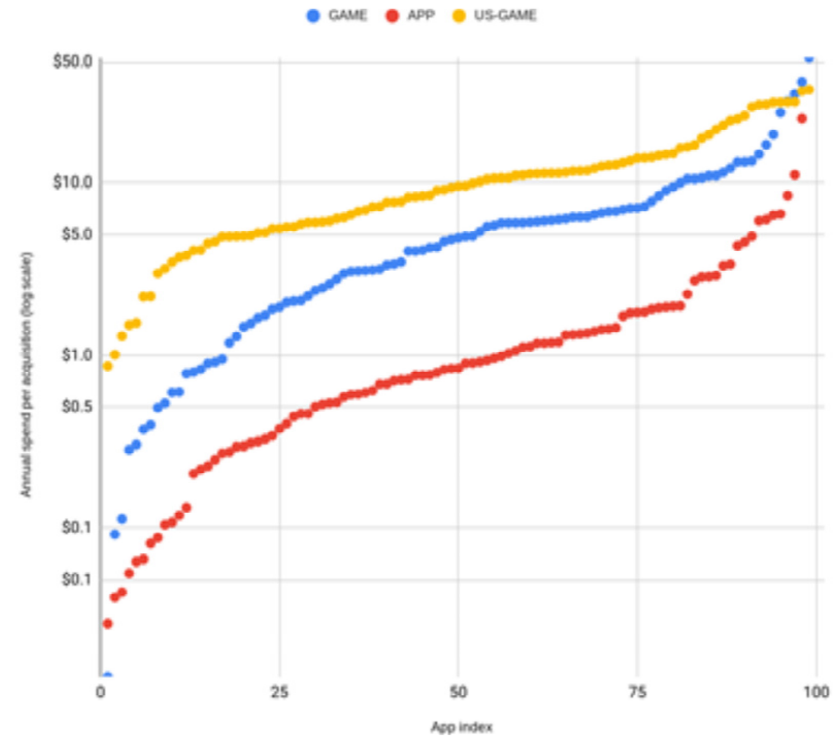
Google

CPI: Distribution across apps

CPI across top 100 games



Annual spend per acquisition across top 100 apps and games



Google

EXHIBIT 388.R-026

Options for alternative ways to charge



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EXHIBIT 388.R-027



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Project Basecamp - Optionality

4/8 discussion

DRAFT for discussion (WIP)

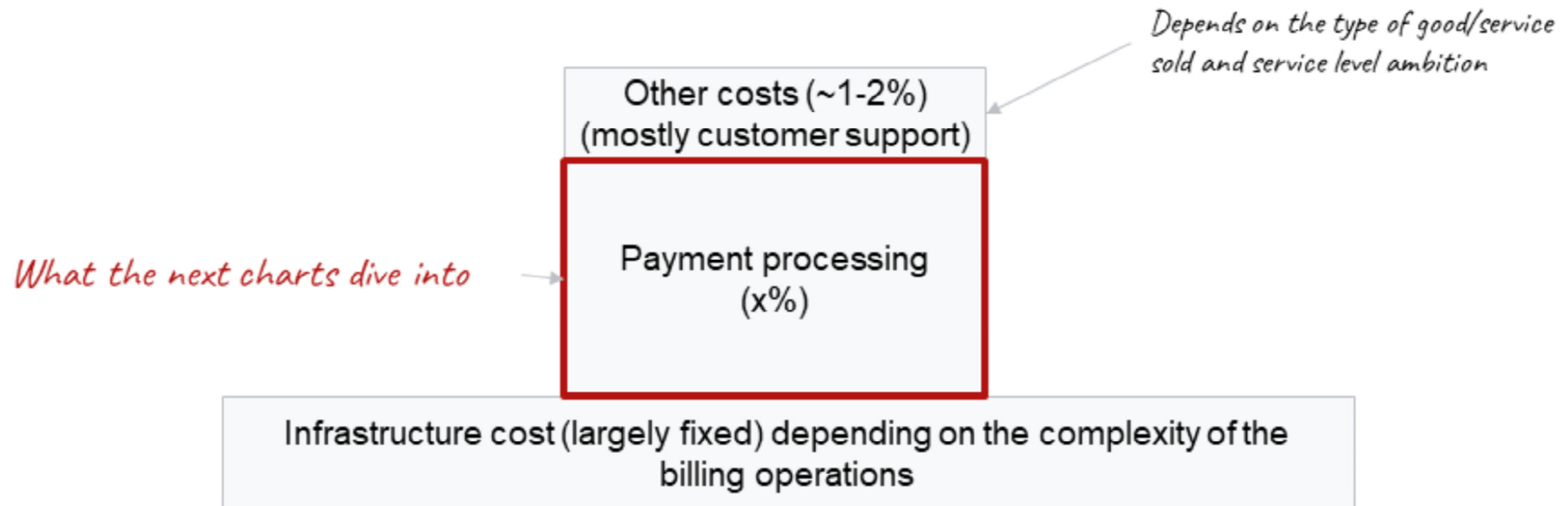
Other relevant documents:

[User Choice MGPP](#) (owner: Paul Feng)

[Thoughts about Play promotion of Alternate App Stores \(DRAFT\)](#) (owner: Paul Feng)

EXHIBIT 388.R-028

Context reminder: 3 cost components to assess total cost of handling payment processing



*Payment processing providers like Stripe differentiate their offering so that this cost is as limited as possible (e.g. a fraction of 1 headcount).
Companies like Spotify employ xx FTEs on this
Companies like Google employ xxx FTEs on this*

Google

Related expenses

One time expenses

Expense type	Preliminary sizing
Integration with Play Billing	Fixed allocation of \$xxk

Recurring expenses

Expense type	Preliminary sizing
Returns & Customer support	0.5-2% of consumer spend subject to achievement of customer satisfaction targets
Ongoing interface with Play Billing	Fixed allocation of \$xxk subject to quality metrics

Google

EXHIBIT 388.R-030

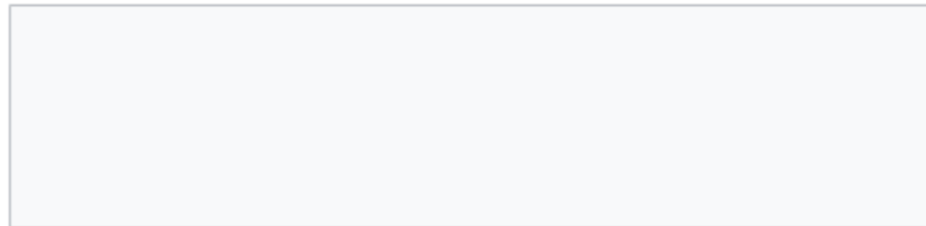
Total cost of billing - Market scan

Per transaction fixed fee

- Stripe: \$0.3
- Paypal: \$0.3
- Square: \$0.3
- Adyen: \$0.12

Variable fee

- Stripe: 2.9% +
- Paypal: 2.9% +
- Square: 2.9% +
- Adyen: Interchange ++ (mix of fixed and % fee depending on the acquirer's card)



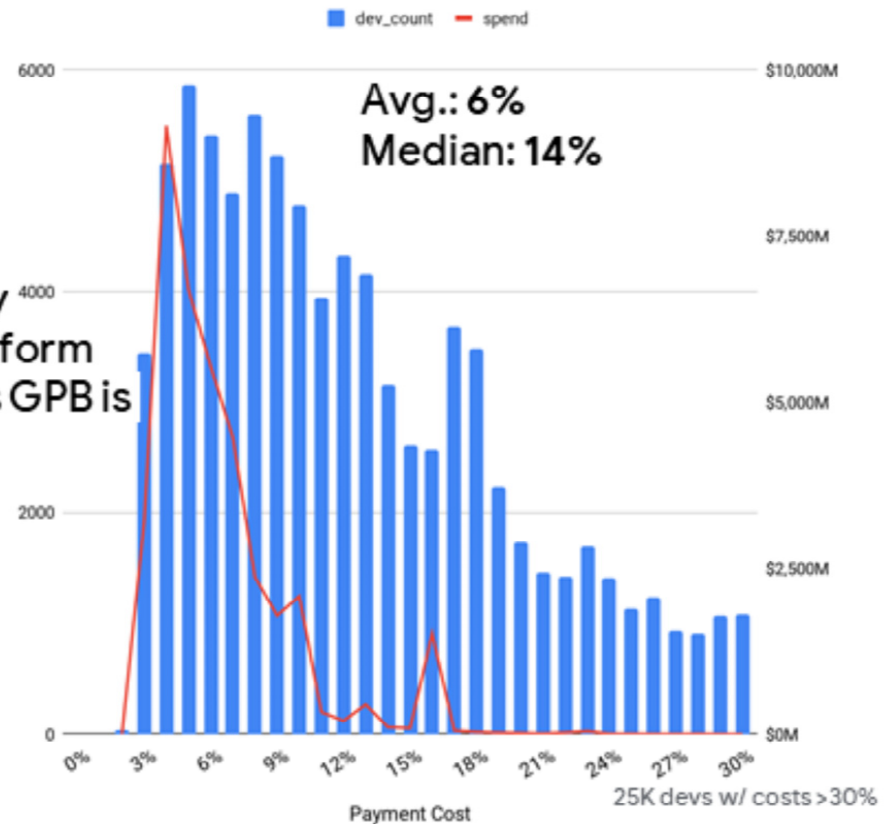
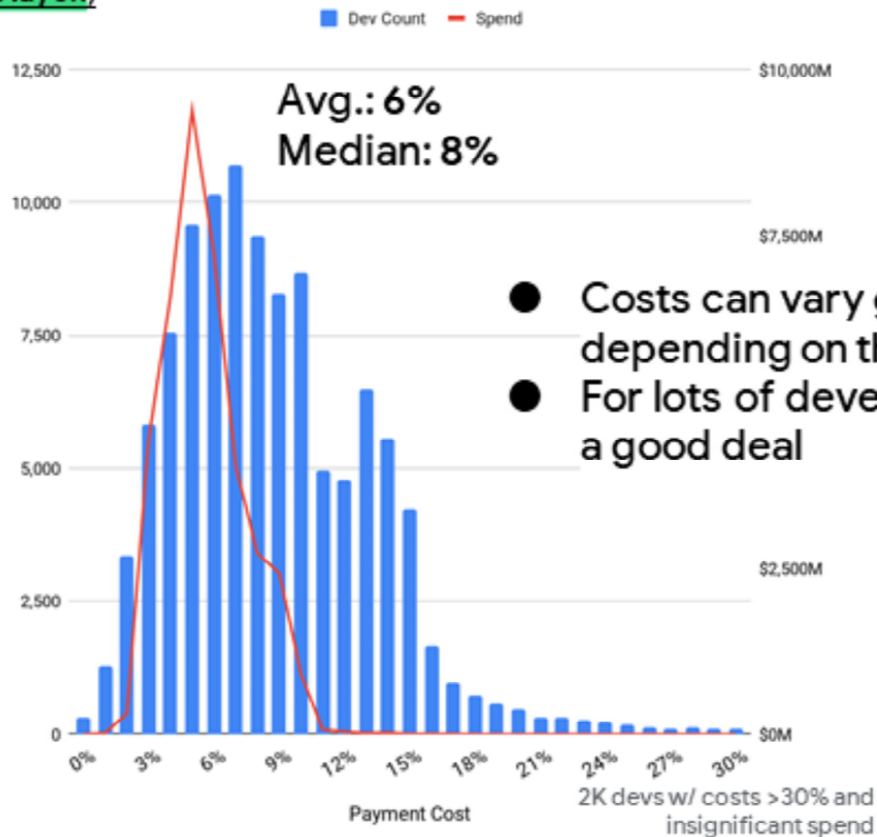
Google

Spread of estimated payment costs developers would incur (based on published rates)

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Distribution of Developers and Spend by Payment Cost
(Adyen)

Distribution of Developers and Spend by Payment Cost (Stripe)



*Actual costs will vary depending on provider and negotiated prices

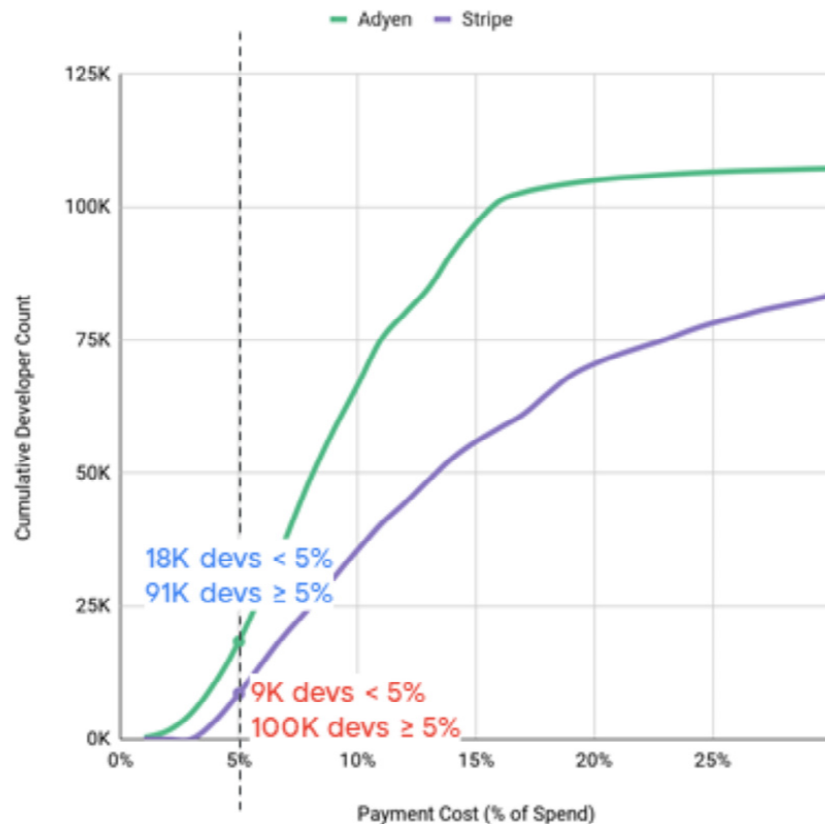
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EXHIBIT 388.R-032

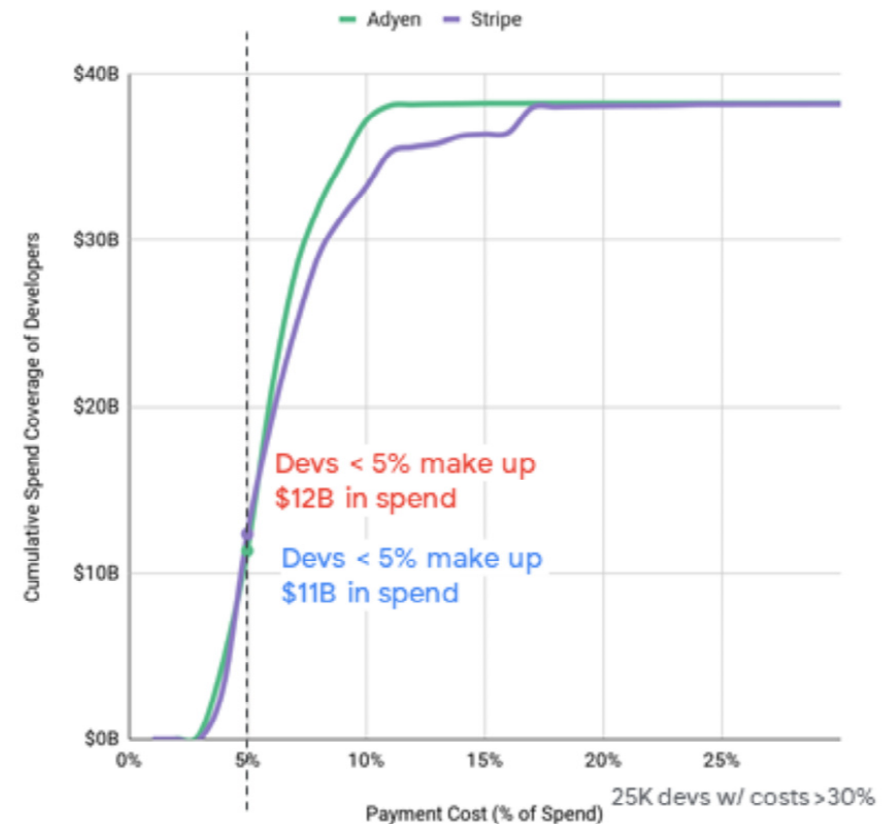
Distribution of developers by estimated payment costs incurred (based on published rates)

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Cumulative Distribution of Developers by Payment Cost



Cumulative Spend Coverage of Developers by Payment Cost



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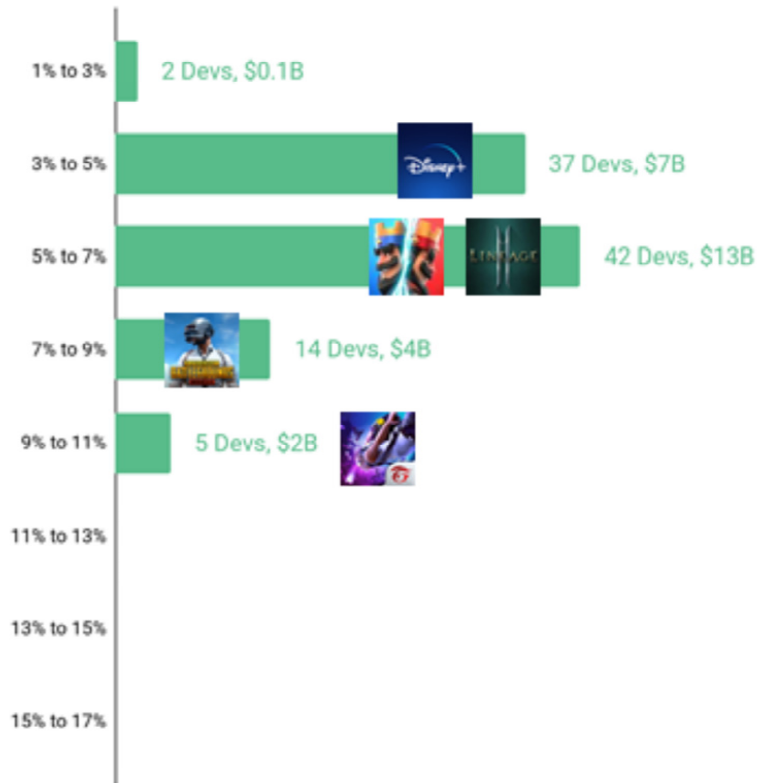
agle

EXHIBIT 388.R-033

Spread of estimated payment costs of Top 100 developers

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Distribution of Top 100 Developers (Adyen)



Distribution of Top 100 Developers (Stripe)



*Actual costs will vary depending on provider and negotiated prices

Google

EXHIBIT 388.R-034

Takeaways

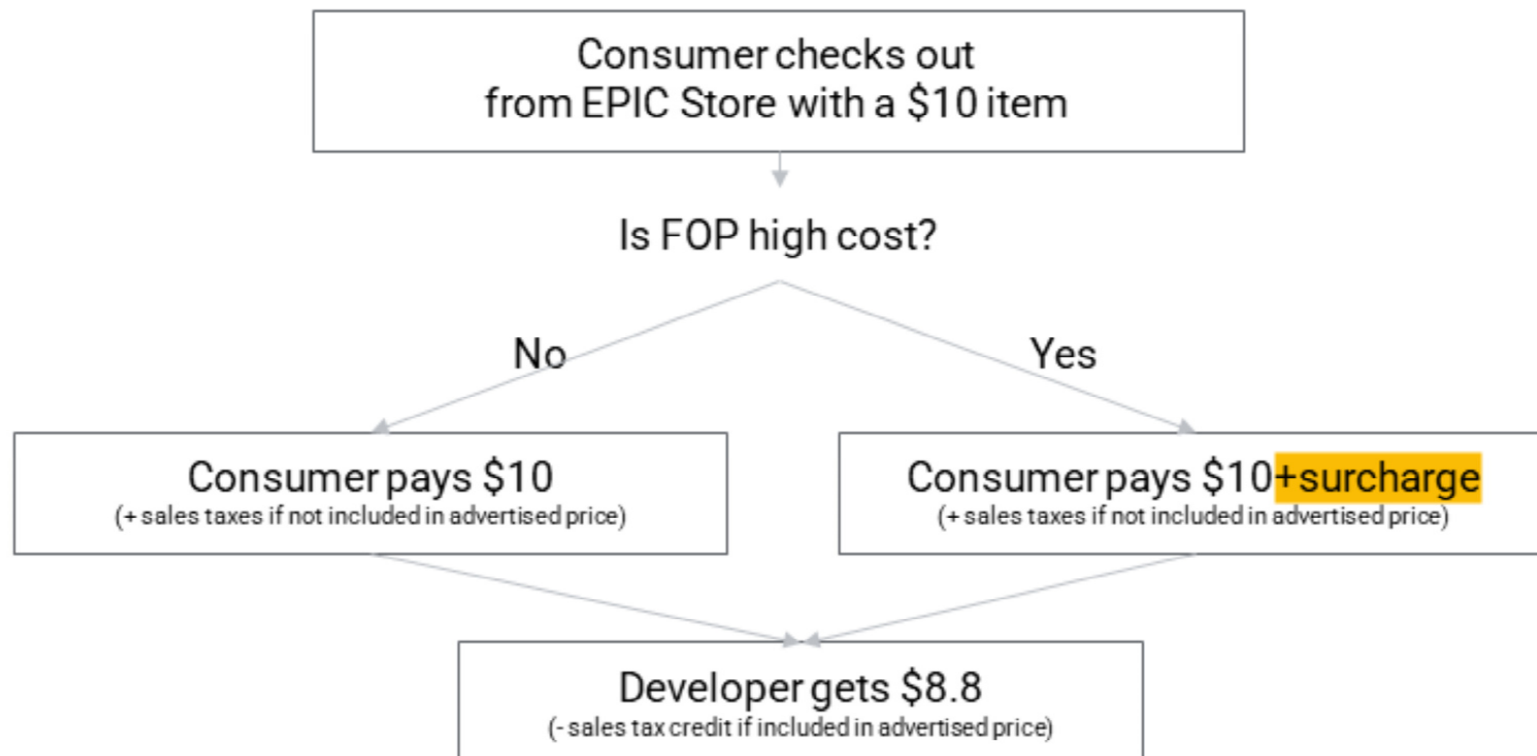
Spread is larger than we assumed

- Makes fixed price option more challenging, there are more nuances
- If we go with variable rate, there could be significant number of developers where fee would be ~0% after billing opt-out

Google

EXHIBIT 388.R-035

How Epic manages high cost FOPs: consumer surcharge



<https://www.epicgames.com/store/en-US/about>

Which payment methods are supported?

The Epic Games store supports credit cards, Paypal, and a variety of alternative payment methods. Approximately 80% of store transactions use credit cards and Paypal. The other 20% comprise alternative payment methods, primarily in countries where credit cards aren't widely available. Some of these alternate payment methods carry payment processing fees, which Epic charges directly to the purchaser, and are not

Google

EXHIBIT 388.R-036

4 ways to address pricing

1. Offer rev share discount
2. Address pricing through ecosystem incentives
3. Create alternative pricing (eg upfront download fee)
4. Create App Store Optionality

Google

EXHIBIT 388.R-037

Options for incentivizing developers to choose Play billing and add value back into the ecosystem

<u>Ecosystem Goals</u>	<u>Programs Today</u>	<u>New Program Ideas</u>	<u>Likely beneficiaries</u>
Strengthen Android on other form factors, Assistant	LRAP/ADAP/BCAP	Consider making public	App devs with video/audio/books biz
Deepen partnerships through X-Google integrations	GVP/AVP	Expand to more devs with strategic rationale	Large developers with concentration risk to Play
Accelerate Play buyer growth, create new buyers (esp in emerging markets)	Various	Create bounty programs for NPUs in EMs	Developers building for EMs - lowers entry barriers for more devs
Improve Play buyer retention	Play points	Tenured buyer discounts (Potential upside for Ads)	Developers with established IP, tenured users (eg Google Aniplex, Supercell, etc.)

- Retain the optionality to reinvest the margins and create conditions for developers to choose Play billing (vs policy enforcement) via structural incentives and other developer programs
 - Continue to invest in large developer programs like GVP/AVP/LRAP etc
 - Incentivize developers to drive Play's long term objectives like buyer creation and retention to maximize the size of the pie - bounty programs, tenured buyer discounts, volume discounts
- Strengthening ecosystem, adding value, things you're doing that's adding positive externalities
- Seeding form factors, nascent use cases
- Give/Get

EXHIBIT 388.R-038

Appendix





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Project Basecamp - Optionality

3/31 discussion

DRAFT for discussion (WIP)

Other relevant documents:

[User Choice MGPB](#) (owner: Paul Feng)

[Thoughts about Play promotion of Alternate App Stores \(DRAFT\)](#) (owner: Paul Feng)

EXHIBIT 388.R-040

Agenda

Following up on debrief from Sameer meeting:

1. Pricing specifics - Kickoff with Economics team next week
2. Implications of price - Game theory on pricing scenarios
3. Implementation scheme - Paul F?



Developer issues (for discussion)

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Developer issues (“flip-side” reminder)	Developers most impacted	Under what conditions does billing optionality address	Alternative way to solve
Intrinsic cost of doing business (Platform operator for profit status)	Low margin businesses (e.g., Video Entertainment Music)	<ul style="list-style-type: none"> ● Price substantially better than payment processing cost ● Substantial portion of dev user base de-integrates Play Billing 	Targeted service fee decrease (e.g. vertical specific, by user tenure or other desirable outcome)
Full ownership of user billing information and flow (user trust & safety)	Large developers with high market power (e.g., Netflix, Spotify, Disney+)	<ul style="list-style-type: none"> ● Product implementation enables full dev control of flow and preferencing of dev's own billing 	Developer/Play pass-thru with Play as processor
Inadequate FOP coverage (fraud)	Developers with material business in emerging markets (e.g., Playrix, Garena, Tencent Games)	<ul style="list-style-type: none"> ● Product implementation enables complete integration of full list of FOPs 	GPB closes FOP coverage
Multiplatform complexity (don't have unified billing / view of user) (platform stickiness)	Developers with presence across mobile, PC, TV, etc. (e.g., Video Entertainment Music, Multiplatform games)	<ul style="list-style-type: none"> ● Substantial portion of dev user base de-integrates Play Billing 	?Top partner work in progress?
...			

- Does it move the needle for developers

EXHIBIT 388.R-042

Developer issues (for discussion)

Proprietary & Confidential

Developer issues (“flip-side” reminder)	Developers most impacted	Under what conditions does billing optionality address	Alternative way to solve
Intrinsic cost of doing business (Platform operator for profit status)	Low margin businesses (e.g., Video Entertainment, Music)	<ul style="list-style-type: none"> ● Price <u>substantially better</u> than payment processing cost ● Substantial <u>portion</u> of dev user base <u>de-integrates</u> Play Billing 	Targeted service fee decrease (e.g. vertical specific, by user tenure or other desirable outcome)
Full ownership of user billing information and flow (user trust & safety)	Large developers with high market power (e.g., Netflix, Spotify, Disney+)	<ul style="list-style-type: none"> ● Product <u>implementation enables</u> full dev control of flow and preferencing of dev's own billing 	Developer/Play pass-thru with Play as processor
Inadequate FOP coverage (fraud)	Developers with material business in emerging markets (e.g., Playrix, Garena, Tencent Games)	<ul style="list-style-type: none"> ● Product <u>implementation enables</u> complete integration of full list of FOPs 	GPB closes FOP coverage
Multiplatform complexity (don't have unified billing / view of user) (platform stickiness)	Developers with presence across mobile, PC, TV, etc. (e.g., Video Entertainment, Music, Multiplatform games)	<ul style="list-style-type: none"> ● Substantial <u>portion</u> of dev user base <u>de-integrates</u> Play Billing 	?Top partner work in progress?
...			

- Does it move the needle for developers

EXHIBIT 388.R-043

Pricing in Billing Optionality

What does it need to accomplish?



Create billing optionality while preserving Play's margins



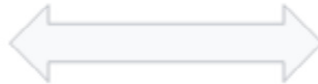
Developer agitation likely to shift from choice to price

Generate material market adoption of billing optionality



Attractive to large developers and other aggregators

Address local market challenges (eg IN)



Risk of contagion

Google

EXHIBIT 388.R-044

Reminder - Payment processing cost varies by transaction value (in addition to FOPs)

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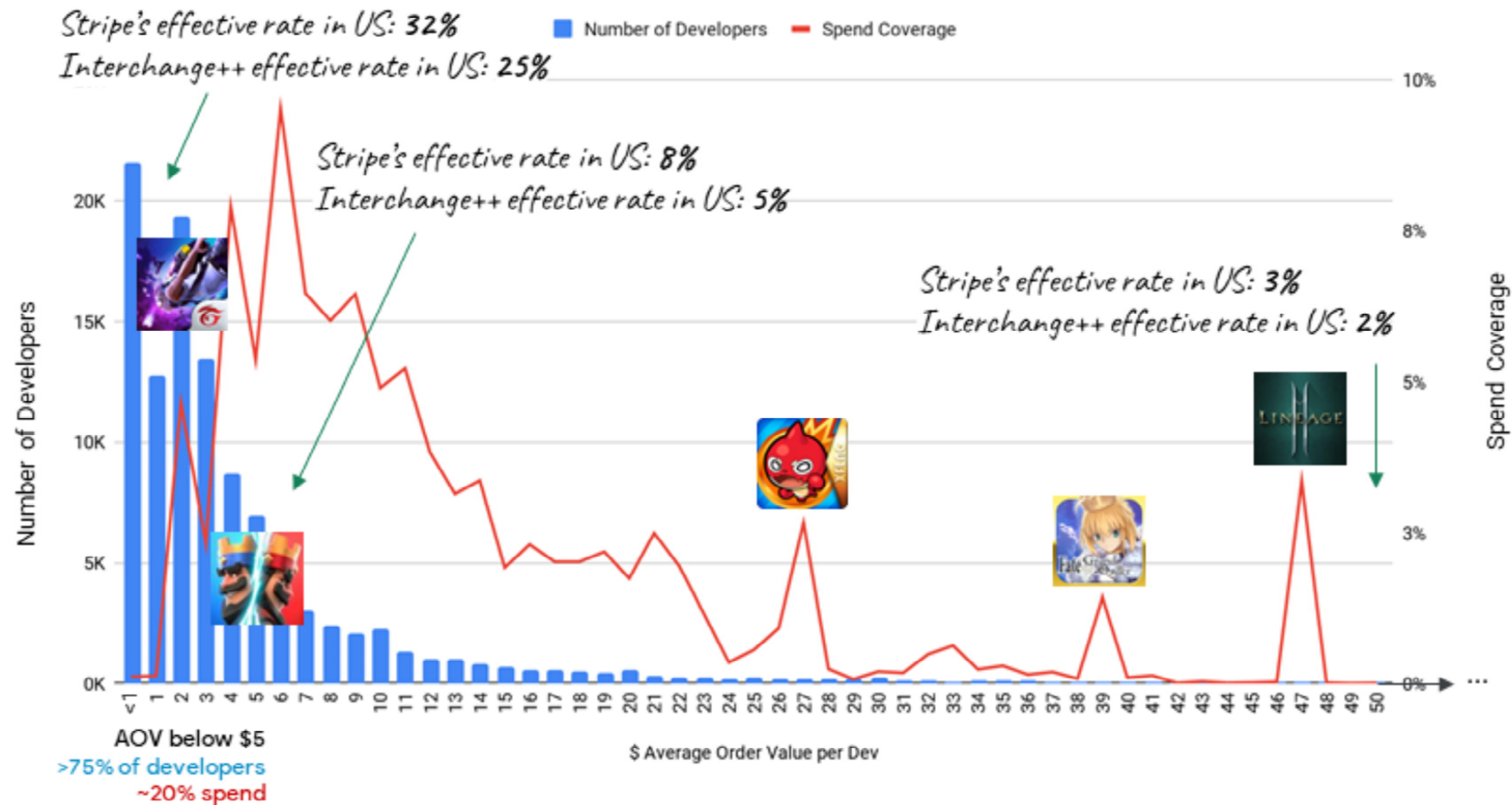


EXHIBIT 388.R-045

Game theorizing price level - Some large developers would take advantage of billing optionality no matter the price



Google

EXHIBIT 388.R-046

Billing optionality by itself is a defensive solution and doesn't accrue any long term ecosystem benefits

We should consider addressing following objectives with the biz model change:

- Give developers **choice** in billing → Address the 'lack of choice' narrative while preserving Play's margins
- **Retain the optionality** to reinvest the margins and create conditions for developers to **choose** Play billing (vs policy enforcement) via structural incentives and other developer programs
 - Continue to invest in large developer programs like GVP/AVP/LRAP etc
 - Incentivize developers to drive Play's long term objectives like buyer creation and retention to maximize the size of the pie - bounty programs, tenured buyer discounts, volume discounts

Google

Other ways to lower our service fee - Reminder

Option (announced, active)	Rationale	Devs (% Play Rev)	Service fee equivalent benefit
"15% up to \$1M"	Help developers on their way to success	All	0-15%
GVP/AVP	Help our most strategic accounts better leverage G	20-50 (~40% Play Rev)	3-5%
Tenured buyer discount	Incentivize/Reward focus on long term user sat.	All (or TBD)	3-5% (or TBD)
...			

Google

EXHIBIT 388.R-048

What are the behaviors we want to incentivize?

Behaviors we would like to see

More investment in Android ecosystem

Better buyer conversion and retention to maximize the overall pie

Users prefer Play over 3P options

Behaviors Billing Optionality induces

Margin optimization by Devs. Continued agitation over the rest of service fees

Potentially better FOP coverage for users from local players

Aggregators incentivized to ladder up

Billing Optionality by itself is a defensive solution and doesn't accrue any long term ecosystem benefits

Google

EXHIBIT 388.R-049

Proposing a phased approach to Play's biz model changes

	Phase 1	Phase 2 - Follow up
Core issue	Price is too high	Price is still too high
Ecosystem action/response	Ask for Billing optionality <i>Core assumption: billing optionality would reduce rev share materially</i>	(preempted) Ask for Distribution optionality
Play response	15% for the first \$1M (Runway) + Unbundle billing with X% service fee reduction (X~= cost of payment processing) Service fee charged for discovery/distribution + (optional) billing	Preempt dev agitation through a.) Private deals - AVP/GVP/LRAP/ADAP b.) Public programs - Rev share incentives aligned with Play objectives (eg tenured buyer discounts, bounties) Make it easier for 3P stores to distribute

Google

EXHIBIT 388.R-050



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Project Basecamp - Optionality

Slides for Sameer 3/24 discussion

DRAFT for discussion (WIP)

Other relevant documents:

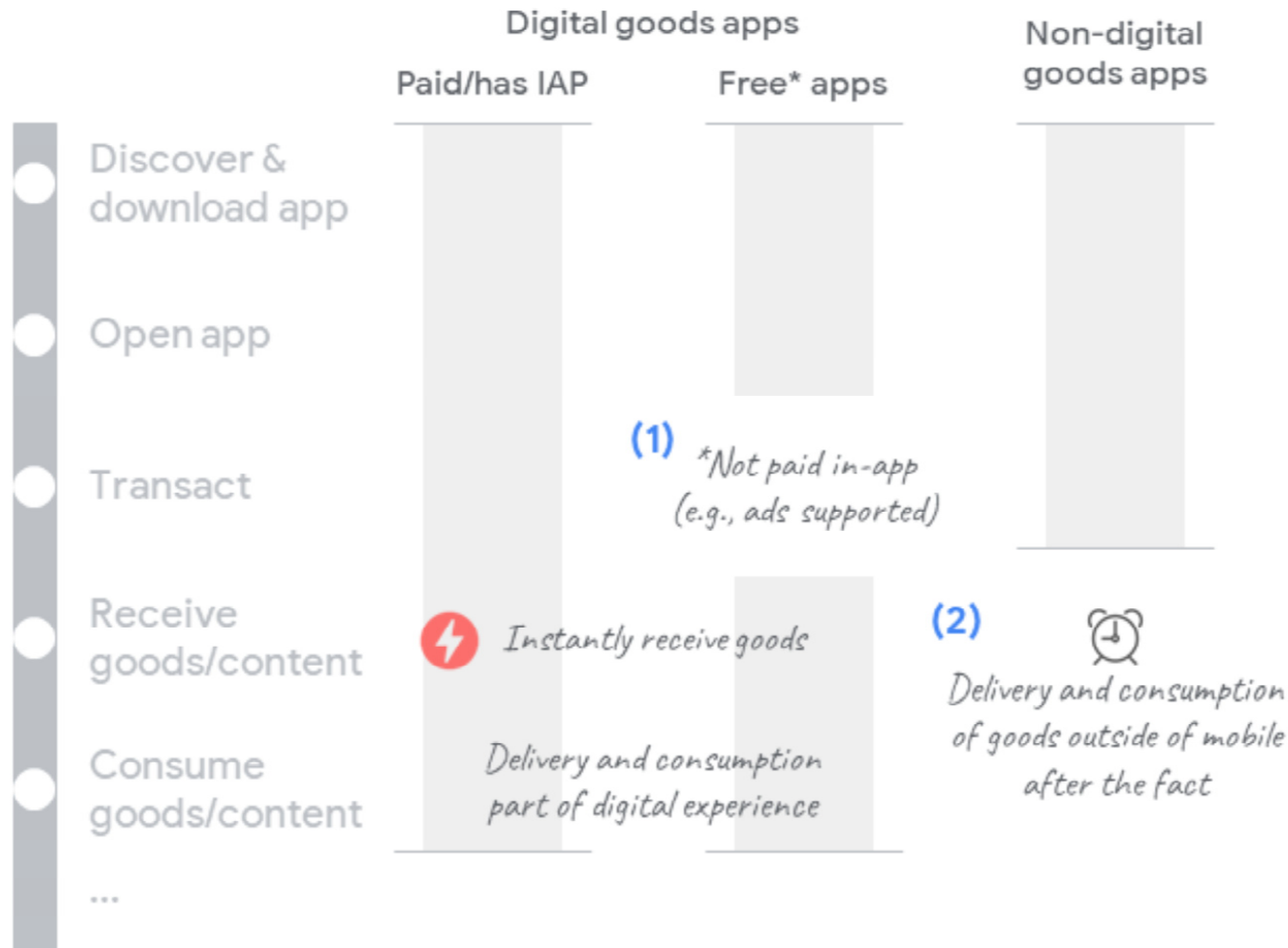
[User Choice MGPB](#) (owner: Paul Feng)

[Thoughts about Play promotion of Alternate App Stores \(DRAFT\)](#) (owner: Paul Feng)

EXHIBIT 388.R-051

Our stance today - Digital goods uniquely deserve fee

Strawperson rationale



Reading key

Steps in user journey



Experienced on Android with Play Protect

Core justification

(1) Free vs. paid difference:
Consumer transactions must be uniquely protected

(2) Digital vs. non-digital difference:
 ● Digital is uniquely enabled
 ● Friction free must be uniquely protected¹
 ● Non-digital goods have additional operating costs

¹Some friction free verticals being already uniquely regulated (e.g. gambling, trading...) don't qualify

Google

- Liability and value, consume and sold on platform so platform value is really high, we create the market. Most of the value deliver occurs outside after we make the connection (role of platform is limited)
- Value and consumer protection

EXHIBIT 388.R-052

More communication likely needed to address perception gap

Esp. value beyond billing & why digital goods are singled out

Android & Google Play [...] gave rise to entirely new digital-only businesses

[...] infrastructure services are uniquely catering to these apps (e.g., subscription platform, pre-reg / games support, buyer programs, etc.)
 [...] uniquely able to ensure a safe, secure & trusted environment when the entirety of their experience happens on their Android phone with Play Protect

[...] businesses are free to choose alternative models

- [...] can charge their users outside of Play Protect
- [...] can choose alternative income streams (ads, other indirect monetization means)

Apps free to consumers, or not primarily enabled by digital experiences on mobile, contribute to our vibrant ecosystem by delivering incredible user value and invest via ads or other means into the Android enabled digital economy.

developers

Android Developers Blog

The latest Android and Google Play news for app and game developers.

Boosting developer success on Google Play

13 March 2021

Cameer Samet, VP Product Management

Building sustainable businesses is a core part of Google Play's mission. We want to understand the challenges they face and help them bring a new app off the ground and into orbit is not easy! To provide a broad range of support, from powerful marketing education via Play Academy, best practices at the Indie Games Festival, Indie Corner, and accelerator programs around the world, we're always looking for new ways to give them an added boost.

Starting on July 1, 2021 we are reducing the service fee Google Play receives when a developer sells digital goods or services to 15% for the first \$1M (USD) of revenue every developer earns each year. With this change, 99% of developers globally that sell digital goods and services with Play will see a 50% reduction in fees. These are funds that can help developers scale up at a critical phase of their growth by hiring more engineers, adding to their marketing staff, increasing server capacity, and more.

While these investments are most critical when developers are in the earlier stages of growth, scaling an app doesn't stop once a partner has reached \$1M in revenue — we've heard from our partners making \$2M, \$5M and even \$10M a year that their services are still on a path to self-sustaining orbit. This is why we are making this reduced fee on the first \$1M of total revenue earned each year available to every Play developer, regardless of size. We believe this is a fair approach that aligns with Google's broader mission to help all developers succeed. We look forward to sharing full details in the coming months.

As a platform we do not succeed unless our partners succeed. Android and Google Play have always listened to our developer partners from around the world and we continue to take their input into account as we build and run the ecosystem. We look forward to seeing more businesses scale to new heights on Android, and to further discussions with our developer community to find new ways to support them technically and economically as they build their businesses.



More communication likely needed to address perception gap

Esp. value beyond billing & why digital goods are singled out

Project # - Confidential

Android & Google Play [...] gave rise to entirely new digital-only businesses

[...] infrastructure apps (e.g., subscription platform, pre-installed games support, driver programs, etc.)

[...] unique monetization when the entirety of the phone with Play Protect

[...] businesses are free to choose alternative models

- [...] Can choose alternative income streams (ads, other indirect monetization)
- [...] Can choose alternative income streams (ads, other indirect monetization)

Apps free to consumers, or not primarily enabled by digital experiences on mobile, contribute to our vibrant ecosystem by delivering incredible user value and invest via ads or other means into the Android enabled digital economy.

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gle

EXHIBIT 388.R-054

Need to move carefully to maximize probability of success

Types of actions possible

Behind the scene work (e.g. Spotify, ...)

- Does it prepare us well in case our hand is forced?

Informing public narrative (e.g. value beyond billing)

- Are we increasing or decreasing our options?
- Are we positively affecting public perception or “stirring the pot”?

Business model change (e.g. Runway, Billing optionality...)

- Too much too early vs. too little too late

Success = a thriving ecosystem

- Android app ecosystem is a safe and trusted place for users
- Quality developers (of any size) can thrive and innovate
- Overall pie is largest it can be and Google is adequately compensated for stewardship
- (Marginally) lower pressure for adversarial regulation

Google

- What should we do that prepares us best yet doesn't accelerate the expected outcome we foresee

Appendix



Rationale for digital goods service fee

- By lowering barriers to entry and providing simple path to instantly and securely deliver apps to billions of users, Android and Google Play gave rise to **entirely new digital-only businesses**
- Google Play keeps users safe in consumer transactions and frictionless consumption of goods/services/content that are unique to digital goods apps
- Google Play offers unique services to digital goods apps (e.g., subscription platform, games support, buyer programs, etc.)
- Google Play has different charging models offering choice to a diverse set of businesses
 - Developers can choose to sell in app or on web; charging revshare on digital goods sold in app is an industry standard
 - Developers can choose to advertise with Play store ads
 - Non-digital good apps have additional operating costs

developers 

Android Developers Blog

The latest Android and Google Play news for app and game developers.

Boosting developer success on Google Play

15 March 2021

Sameer Samat, VP Product Management

Building sustainable businesses is a core part of Google Play's mission. We try to understand the challenges they face and help them bring a new app off the ground and into orbit is not easy! To provide a broad range of support, from powerful marketing tools, education via Play Academy, best practices and money, we've built on the Indie Games Festival, Indie Corner, and accelerator programs around the world. We're always looking for new ways to give them an added boost.

Starting on July 1, 2021 we are reducing the service fee Google Play receives when a developer sells digital goods or services to 15% for the first \$1M (USD) of revenue every developer earns each year. With this change, 99% of developers globally that sell digital goods and services with Play will see a 50% reduction in fees. These are funds that can help developers scale up at a critical phase of their growth by hiring more engineers, adding to their marketing staff, increasing server capacity, and more.

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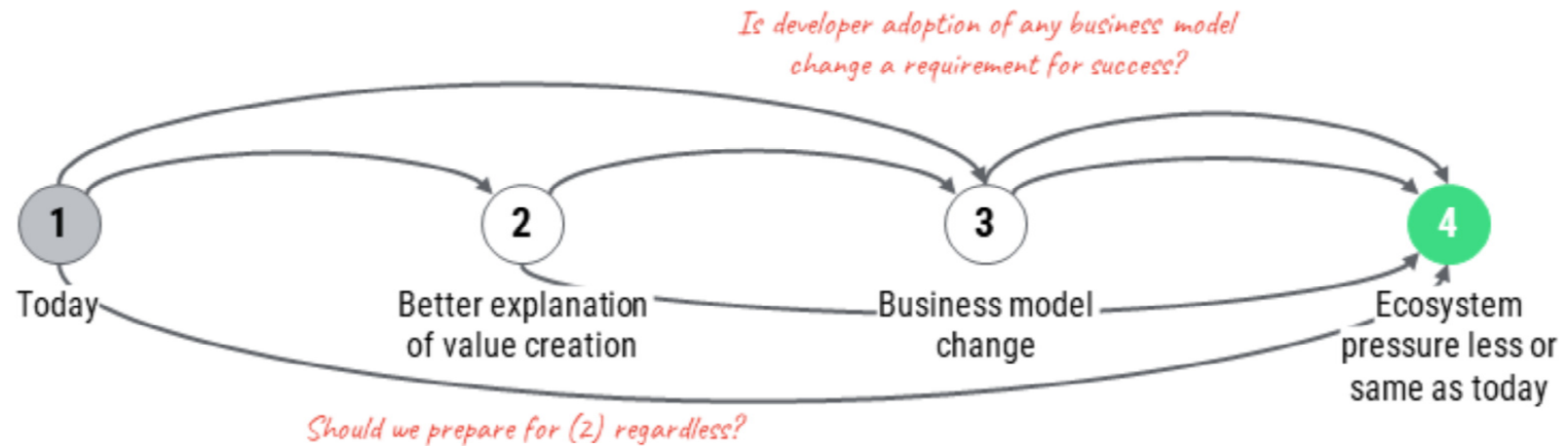
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gle



What success looks like “a year” from now

Several paths could lead to successful outcome of being able to defend and grow the business



Google

EXHIBIT 388.R-058



STRICTLY CONFIDENTIAL: DO NOT SHARE

Project Basecamp - Optionality

March 22 discussion document

DRAFT for discussion (WIP)

Other relevant documents:

[User Choice MGPB](#) (owner: Paul Feng)

[Thoughts about Play promotion of Alternate App Stores \(DRAFT\)](#) (owner: Paul Feng)

EXHIBIT 388.R-059

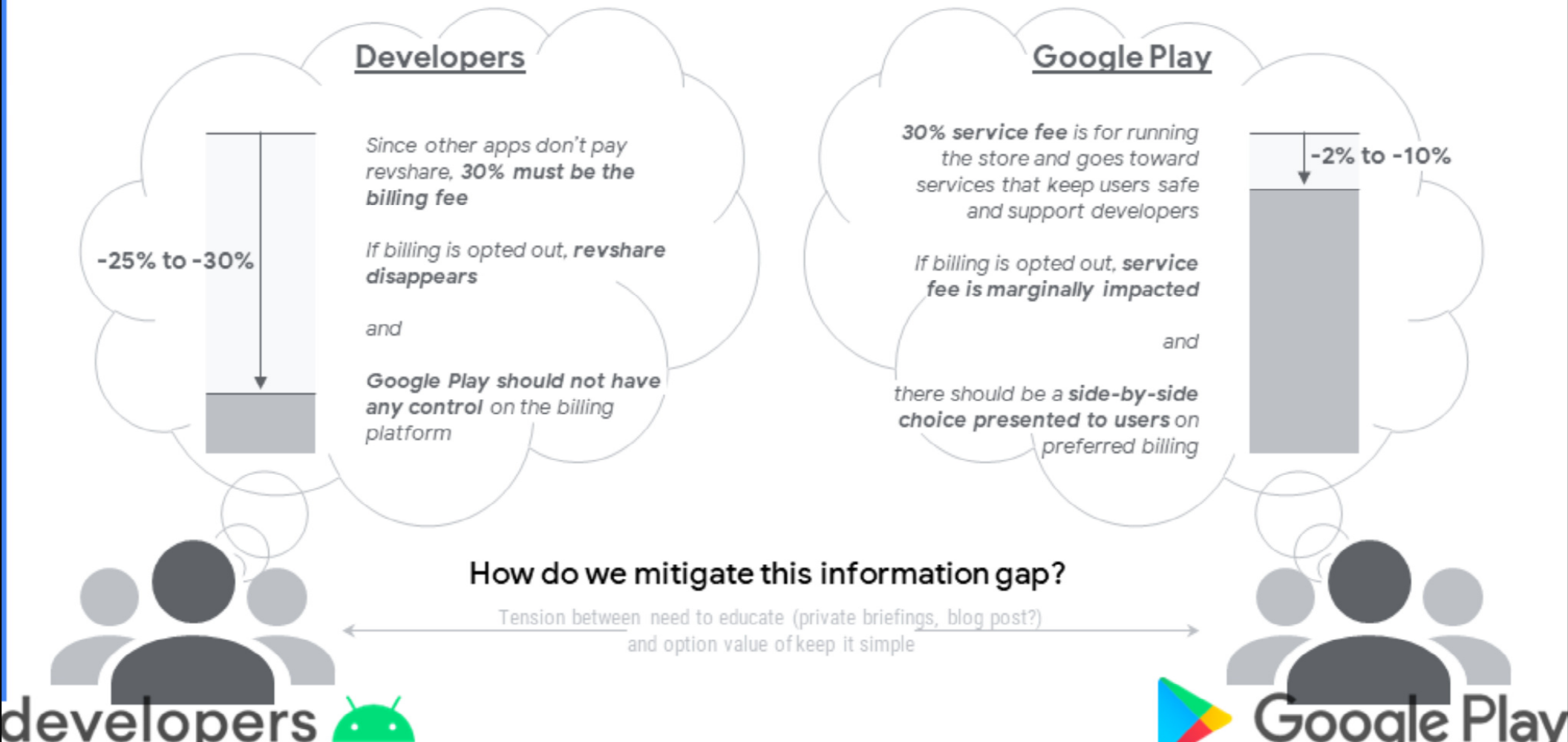
3 core issues need to be addressed

1. Asymmetry b/w Developers and Play in expectations from Billing Optionality
1. Work on the service fee implications of Billing Optionality - tbd with Legal and Econ teams
1. Rationale for charging service fee to only the digital goods developers
 - a. Alternatively, make an argument for service differentiation and/or charging all developers
 - b. Justify why the rest of the service fee (post billing optionality) should still be a % of the consumer spend

Google

EXHIBIT 388.R-060

What developers vs. Google Play think billing optionality means



- How do we mitigate this information gap?

Our stance today - Digital goods uniquely deserve fee

Strawperson rationale

Amazing digital experiences for 3B Android users, keeping users safe and support developers

Guard against malicious apps
Family settings

User privacy protection

Consumer protections

- Content monitoring
- Policy on purchase terms and conditions
- Fraud detection/prevention
- Buyer and seller support

Optional protections

- Spend management
- Digital wellbeing

Discover & download app

Open app

Transact

Receive goods/content

Consume goods/content

...

Digital goods apps

Paid/has IAP

Free* apps

Non-digital goods apps

**Not paid in-app
(e.g., ads supported)*



Instantly receive goods

*Delivery and consumption
part of digital experience*



*Delivery and consumption
of goods outside of mobile
after the fact*

Google

Reading key

Steps in user journey

Experienced on Android with Play Protect

- Liability and value, consume and sold on platform so platform value is really high, we create the market. Most of the value deliver occurs outside after we make the connection (role of platform is limited)
- Value and consumer protection

EXHIBIT 388.R-062

Our stance today - Digital goods uniquely deserve fee

Strawperson rationale

Amazing digital experiences for 3B Android users, keeping users safe and support developers

Guard against malicious apps
Family settings

User privacy protection

Consumer protections

- Content monitoring
- Policy on purchase terms and conditions
- Fraud detection/prevention
- Buyer and seller support

Optional protections

- Spend management
- Digital wellbeing

Reading key

Steps in user journey

Experienced on Android with Play Protect

Discover & download app

Open app

Transact

Receive goods/content

Consume goods/content

Digital goods apps

Paid/has IAP

Free* apps

Core justification for the free vs. paid difference: consumer transactions must be uniquely protected

**Not paid in-app (e.g., ads supported)*



Instantly receive goods

Delivery and consumption part of digital experience

Non-digital goods apps

Delivery and consumption of goods outside of mobile after the fact

Google

- Liability and value, consume and sold on platform so platform value is really high, we create the market. Most of the value deliver occurs outside after we make the connection (role of platform is limited)
- Value and consumer protection

EXHIBIT 388.R-063

Our stance today - Digital goods uniquely deserve fee

Strawperson rationale

Amazing digital experiences for 3B Android users, keeping users safe and support developers

Guard against malicious apps
Family settings

User privacy protection

Consumer protections

- Content monitoring
- Policy on purchase terms and conditions
- Fraud detection/prevention
- Buyer and seller support

Optional protections

- Spend management
- Digital wellbeing

Discover & download app

Open app

Transact

Receive goods/content

Consume goods/content

...

Digital goods apps

Paid/has IAP

Free* apps

Non-digital goods apps

Core justifications for the Digital vs. non-digital difference:

- Digital is uniquely enabled
- Friction free must be uniquely protected*
- Non-digital goods have additional operating costs



Instantly receive goods

Delivery and consumption part of digital experience



Delivery and consumption of goods outside of mobile after the fact

Google

* Some friction free verticals being **already** uniquely regulated (e.g. gambling, trading...) don't qualify

- Liability and value, consume and sold on platform so platform value is really high, we create the market. Most of the value deliver occurs outside after we make the connection (role of platform is limited)
- Value and consumer protection

EXHIBIT 388.R-064

Other issues with our flat and targeted service fee

Different developers / apps use different types of services from us

Should we start charging for specific deliverables?

Different verticals have different economics (especially fixed vs. variable cost mix)

Should we expand and publicize LDAP, ADAP, etc.?

2 player competitive structure invites side-by-side comparison

Other major issues?

Google

EXHIBIT 388.R-065

What to do about non-digital goods apps?

- Do nothing
- Differentiate discovery and distribution services
- Introduce a charge (or menu of charges)

Google

EXHIBIT 388.R-066

3 types of models to expand fee basis

Tierings* always possible



**Charge platform access
(higher developer fee)**



**Charge per outcome we
deliver (access, referral)**

- by download
- GB/update
- first action (e.g., open, purchase, etc.)
- ...



**Charge for value
as it is realized**

- by GMV
- ads inventory
- Users, opens, time,
- ...

**Can differentiate any rate card by different size, vertical, service level commitment, etc.*

Google

EXHIBIT 388.R-067

Appendix



Why non-digital goods apps don't need to pay service fee?

Amazing digital experiences for 3B Android users, keeping users safe and support developers

- Google Play keeps users safe in consumer transactions and frictionless consumption of goods/services/content that is unique to digital goods apps
- Google Play created the market that uniquely benefits and creates value for digital goods apps (e.g., integrated billing supporting Freemium model)
- Google Play offers unique services to digital goods apps (e.g., subscription platform, games support, buyer programs, etc.)
- Google Play has different charging models offering choice to a diverse set of businesses
 - Developers can choose to sell in app or on web; charging revshare on digital goods sold in app is an industry standard
 - Developers can choose to advertise with Play store ads
 - Non-digital good apps have additional operating costs

Google

Why non-digital goods apps don't need to pay service fee?

Amazing digital experiences for 3B Android users, keeping users safe and support developers

Reasons for paying service fee	Why non-digital goods apps don't need to pay?	Counter points
Guard against malicious apps (e.g., Play Protect) Family settings User privacy protection		
Consumer protections <ul style="list-style-type: none"> ● Content monitoring ● Policy on purchase terms and conditions ● Fraud detection/prevention ● Buyer and seller support 	Google Play consumer protections apply to content/goods/services that are provisioned and consumed digitally (within app)	<ul style="list-style-type: none"> ● Ads supported apps that don't pay a service fee also have content that's consumed within app ● Implies that digital goods apps are more dangerous than non-digital goods apps
Optional protections <ul style="list-style-type: none"> ● Spend management ● Digital wellbeing 	Google Play guards against certain purchasing and consumption behaviors (addictive, chance-based rewards, instant/impulsive, etc.) that are not applicable to non-digital good apps	<ul style="list-style-type: none"> ● Subscription apps do not elicit the same behavior and have to pay a service ● Social media apps are the most highly engaged apps w.r.t. digital wellbeing

Google

EXHIBIT 388.R-070

Why non-digital goods apps don't need to pay service fee?

Amazing digital experiences for 3B Android users, keeping users safe and support developers

Reasons for paying service fee	Why non-digital goods apps don't need to pay?	Counter points
<p>Global reach and distribution</p> <p>Tools to help optimize product (e.g., Google Play Console, testing, updates)</p>		
Discovery and growth support	Google Play provides a myriad of services that are not applicable to non-digital good apps (Games Home, liveOps, pre-reg, buyer programs, etc.)	Not all paying apps & games are featured or receive these benefits
Business support	Google Play wants businesses to succeed and non-digital good apps have different operating margins and business models	Facebook is very profitable

Google

EXHIBIT 388.R-071



STRICTLY CONFIDENTIAL: DO NOT SHARE

Project Basecamp - Optionality

March 18 discussion document

DRAFT for discussion (WIP)

Other relevant documents:

[User Choice MGPP](#) (owner: Paul Feng)

[Thoughts about Play promotion of Alternate App Stores \(DRAFT\)](#) (owner: Paul Feng)

EXHIBIT 388.R-072

Billing optionality - Agenda for today

Done last time

Explored possible **adverse implications** of introducing billing optionality (please see [additional case studies on "laddering up"](#) in Appendix)

Today's focus

Discuss **conditions for billing optionality to prevent these adverse implications**

- Assess extent to which we are all aligned
- Identify any sticky point that would require further analysis
- Decide next steps & timing for next level of product design work

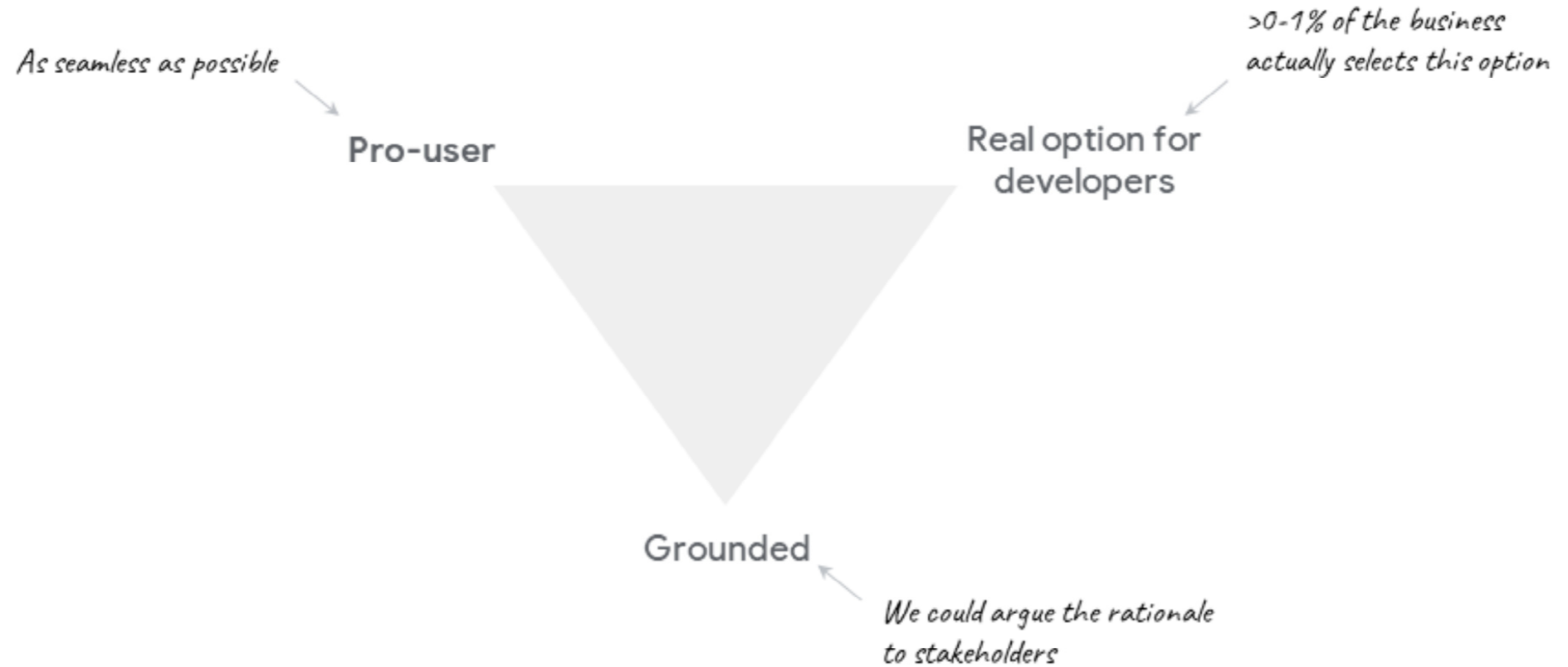
If time

Discuss full store optionality (shared offline last time)

Google

EXHIBIT 388.R-073

Principles reminder



Google

EXHIBIT 388.R-074

Starting from the user

Proprietary & Confidential

		<u>Conditions</u>		<u>Pros</u>	<u>Cons</u>
What does the user see?	Branding	Must meet Play specifications and no additional branding (beyond Play and App/Developer)?	+	Consistent user experience	- Developer freedom of branding (to address?)
	User (default) preference	1-time user selection of billing option? No additional in-app message to prompt or preference billing choice?	+	Keeps user relationship between Play or Developer / diminishes incentives for 3P aggregators	- Play is the initial point of entry into Google Play (level)
What does the user get?	User Value	Parity across billing options ● Price and SKU parity? ● Equivalent terms: service levels, access to transactional history, refunds, etc.? Additional rewards (e.g. points); what level of restriction?	+	Seamless user experience	- Play is the initial point of entry into Google Play (level)
	Backend integration (including compliance & consumer support)	Operated by certified partner Integrated with Play Billing? Strong (Play-validated) track record	+	Consistent user experience Limits price arbitrage and gamification Consumer protection Limits entry point for non-payment providers / diminishes incentives for 3P aggregators Streamlines operations	- Not pro-consumer (level) Difficult to enforce (level) Implications of Points (to discuss) Limited flexibility in partner list / requirements) Does not resolve ownership customer developer can (partially resolve)

How do we make this a real option for developers?
How do we ground this so it can be argued to stakeholders?

EXHIBIT 388.R-075

Exploring billing optionality conditions (for discussion)

Proprietary & Confidential

	<u>Conditions</u>		<u>Pros</u>	<u>Cons (mitigation)</u>
Branding	Must meet Play specifications and no additional branding (beyond Play and App/Developer)?	+	Consistent user experience	- Developer may contest on freedom of branding (choose not to address?)
		+	Keeps user relationship between Play or Developer / diminishes incentives for 3P aggregators	
User (default) preference	1-time user selection of billing option? No additional in-app message to prompt or preference billing choice?	+	Seamless user experience	- Play is the initial default (lean into Google precedents) - Difficult to enforce (penalty level)
User Value	Parity across billing options ● Price and SKU parity? ● Equivalent terms: service levels, access to transactional history, refunds, etc. Additional rewards (e.g. points): what level of restriction?	+	Consistent user experience	- Not pro-consumer (to discuss)
		+	Limits price arbitrage and gamification	- Difficult to enforce (penalty level) - Implications on Google Play Points (to discuss)
Backend integration (including compliance & consumer support)	Operated by certified partner Integrated with Play Billing? Strong (Play-validated) track record	+	Consumer protection	- Limited flexibility / choice (broad partner list / public eligibility requirements)
		+	Limits entry point for non-payment providers / diminishes incentives for 3P aggregators	- Does not resolve issue on owning customer relationship if developer cannot use own billing (partially resolved)
		+	Streamlines operations	- Datastream is still valuable to 3 rd parties

EXHIBIT 388.R-076

Where are we setting the dial

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Conditions

Pros

Cons (mitigation)

Branding

Must meet Play specifications, and no additional branding (beyond Play and App/Developer)?

Any brand(s)

+



Consistent user experience
Keeps user relationship between Play or Developer / diminishes incentives for 3P aggregators

No new brand

Developer may contest on freedom of branding (choose no to address?)

User (default) preference

1-time user selection disabling option? No additional in-app prompt or preference

No restrictions,
Free to prompt and solicit users

+



Seamless user experience

Inherits defaults, minimal option to change

Not in Play default (lean on Google precedents)
Difficult to enforce (penalty level)

User Value

Parity across billing options

● Price and SKU parity
● Equivalent terms: access to transactional history, refunds, etc.?

No restrictions,
Free to differentiate on value

+



Consistent user experience
Limits price arbitrage and gamification

Parity across the board

Not pro-consumer (to discuss)
Difficult to enforce (penalty level)
Implications on Google Play Points (to discuss)

Additional rewards (e.g. points): what level of restriction?

Backend integration (including compliance & consumer support)

Operated by certified partner
Integrated with Play Billing

No restriction

+



Consumer protection
Limits risk point for non-payment providers / diminishes incentives for 3P aggregators
Streamlines operations

Stringent restrictions/
selected partners

Limited flexibility / choice (broad partner list / public eligibility requirements)
Does not resolve issue on owning customer relationship if developer cannot use own billing (partially resolved)



Last week's archetype



This week's archetype

EXHIBIT 388.R-077

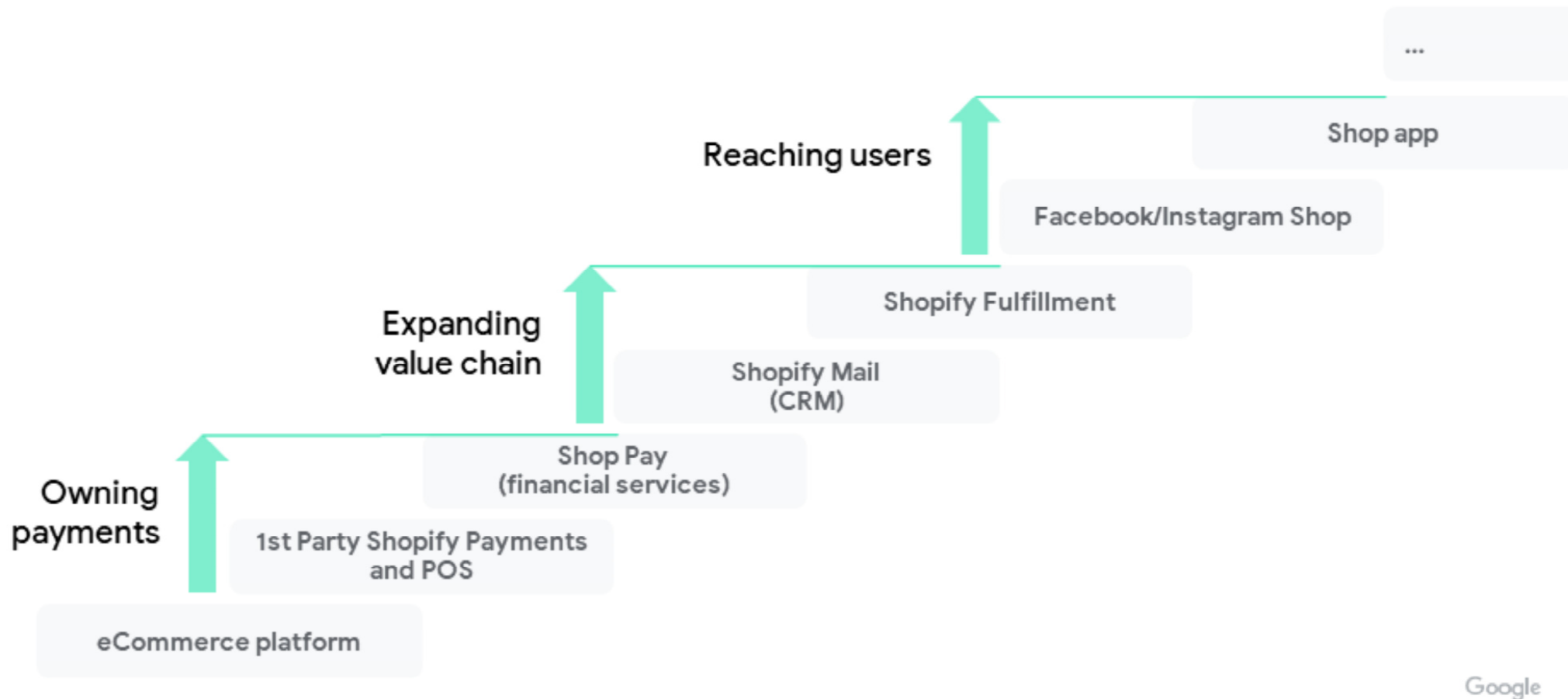
Appendix



Laddering up is a proven strategy

How shopify is doing it in e-commerce

For backup 



- <https://www.forbes.com/sites/gulnazkhusainova/2020/05/21/shopify-has-a-plan-for-e-commerce-domination-and-it-just-might-work/?sh=48b6720d58d1>

EXHIBIT 388.R-079

Laddering up is a proven strategy

How **CODAPAYMENTS** is doing it on the Web and in SEA

For backup

CODASHOP

Top-up website connecting users to digital goods, amassing ~40M visits per month - channel for games to gain visibility and advertise

Payoff: extended value chain, expanded userbase, and became destination for discovery

XSHOP

White-label top-up platform for ecommerce and superapp partners - integrated distribution network of digital goods

Payoff: extended reach and became a distributor



CODAPAY

Aggregator helping online merchants accept more than 100 alternative payments (including carrier billing, banks, ewallets, cash, etc.)

Payoff: owned payments and built commercial relationships



Google

EXHIBIT 388.R-080

How payment providers and aggregators could ladder up on mobile?

For backup

Paytm


Google Pay

CODAPAYMENTS

*Codashop has already done this on web
and their practice would be legitimized*

Leverage large userbase and developer relationship
to re-invent and expand further into app discovery,
then distribution

**Payoff - integrated full store value chain expanding
beyond just payments**

Then create **super app** to surface promotions/deals
and allow for direct purchasing of apps and in-app
items.

Payoff - user adoption

Expand services and offers, catering to games and
IAPs, and leverage existing commercial relationships
and userbase to attract developers - get foot in the
door by providing more attractive payment offers

Payoff - developer adoption

Google

EXHIBIT 388.R-081



STRICTLY CONFIDENTIAL: DO NOT SHARE

Project Basecamp - Optionality

March 11 discussion document

DRAFT for discussion (WIP)

Other relevant documents:

[User Choice MGPB](#) (owner: Paul Feng)

[Thoughts about Play promotion of Alternate App Stores \(DRAFT\)](#) (owner: Paul Feng)

EXHIBIT 388.R-082

Basecamp Billing Optionality



EXHIBIT 388.R-083

BILLING: 'User Choice' Billing Optionality lets the user choose which payment provider to use

Proprietary & Confidential

Billing optionality considerations

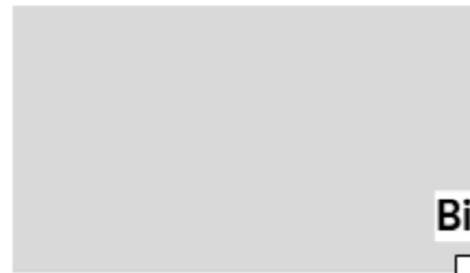
- ☒ **Scope**
- ☒ **User experience**
- ☒ **Implementation**
- ☐ **Ecosystem reaction**

Today's discussion

☒ = Discussed, not solved

Devvy's native flow
(with basic Play
integration for
customer svc, etc.)

Devvy's native flow
(with basic Play
integration for
customer svc, etc.)

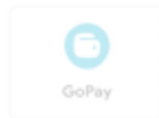


Google Play



Checkout with Google Play
person@gmail.com

- ✓ Earn Play Points for your purchases
- ✓ Easily manage your subscriptions on Google Play
- ✓ Securely save your payment method to your Google account for future purchases



GoPay



PayPal

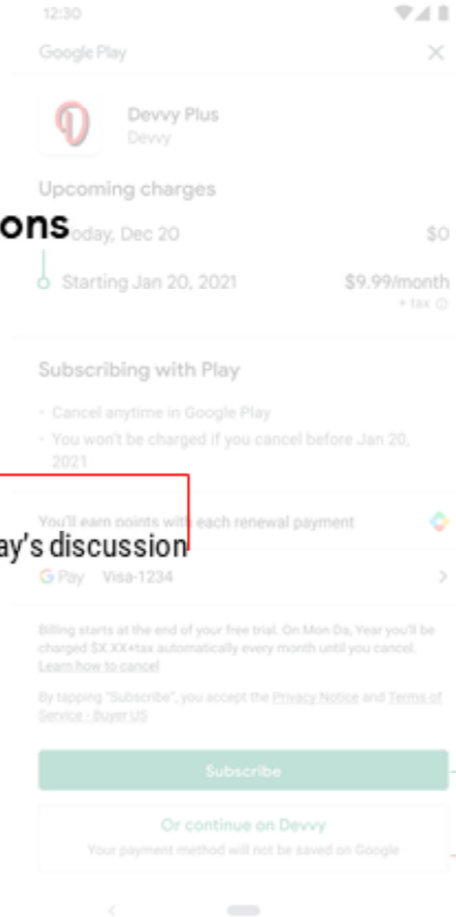


Netbanki

Or continue on Devvy

Your payment method will not be saved on Google. [Learn more](#)

Create FOP on Play



12:30

Google Play



X

Devvy Plus
Devvy

Upcoming charges

Today, Dec 20 \$0
Starting Jan 20, 2021 \$9.99/month
+ tax ⓘ

Subscribing with Play

- Cancel anytime in Google Play
- You won't be charged if you cancel before Jan 20, 2021

You'll earn points with each renewal payment

G Pay Visa-1234

Billing starts at the end of your free trial. On Mon Dec 20, Year you'll be charged \$X.XX+tax automatically every month until you cancel. [Learn how to cancel](#)

By tapping "Subscribe", you accept the [Privacy Notice](#) and [Terms of Service](#) - Buyer US

Subscribe

Or continue on Devvy

Your payment method will not be saved on Google

Purchase on Play

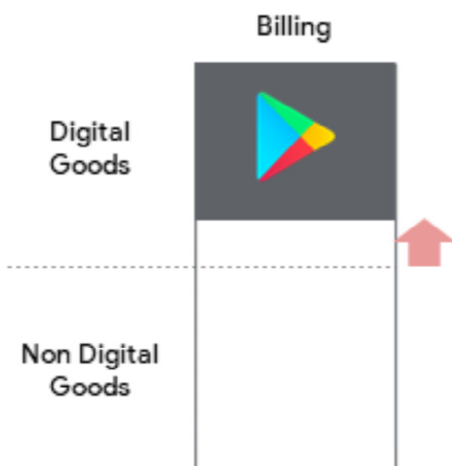
Billing optionality likely to evolve to full stack optionality/competition

Proprietary & Confidential

1

Selective de-integration?
based on developer's payment mix

■ Integrated □ Not Integrated



2

Further growth & consolidation?
Several contenders

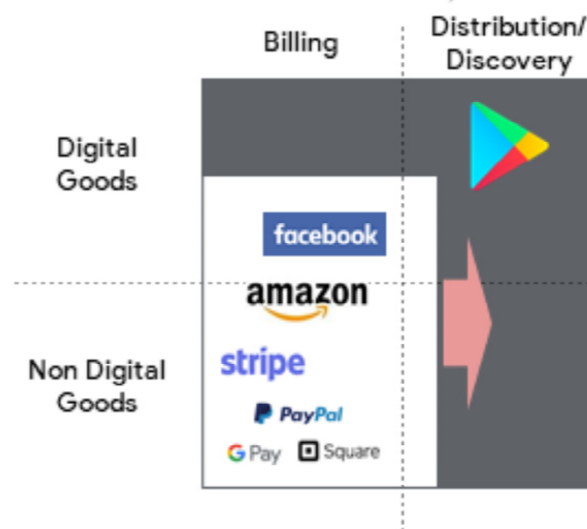
Optimization and contagion
leads to more de-integration



3

Laddering up?
Starting with discovery? Cloud / Web app?
Push for headless distribution as a service?

Primary service providers push
towards distribution &
discovery



Pressure points remain

"Lack of choice"

"xx% too high/Why am I charged on my GMV?"

"Why don't non-digital goods apps pay for discovery and distribution?"

Google

- <https://marketingland.com/top-10-payment-processing-companies-world-175913>

EXHIBIT 388.R-085

Slide 85

- 1 We need to develop the most constrained version of billing optionality for this week's discussion eg. Paul's comment that it is not open to aggregators etc. just to stress test the idea
Ravikant Pandey, 3/16/2021
- 1 AI: explore how billing optionality design parameters could preempt/mitigate some of this
Antoine Carriere, 3/16/2021
- 2 **Linda Vu** @google.com making sure you have this
Antoine Carriere, 3/16/2021

Who would disrupt and why?

For backup



Consistent with DNA

- Proven capabilities at every step of the consumer transaction stack
- Complements suite of assets for developers (AWS, Twitch, app store, Prime, retail)

Aligned with strategic priorities

- Facebook's Ads business relies heavily on the app ecosystem and app store data, and disintermediating allows its business to grow unconstrained
- Consistent with e-commerce push
- Leverages meaningful base of FOP'd users / billing capabilities.



Sunk costs

- Samsung has aspirations to grow its services revenue and bolster its hardware sales by becoming more relevant to users through app store investments



Stripe offers fully integrated suite of payment products and can extend its value chain by investing in additional business building blocks aimed at connecting users to developers



Epic is a big proponent of app store de-integration to further its own Metaverse ambitions without control imposed by Apple and Google

Google

Laddering up is a proven strategy - Netflix case study For backup Confidential

NETFLIX

Started by leveraging existing content that was freely available (DVDs) and got foot in the door purely through distribution

Payoff - User base, brand recognition
Casualty - Blockbuster

Then leveraged their user base to acquire streaming rights and went orthogonal to incumbents (linear TV)

Payoff - Expanded user base, transformed their brand, and continued to increase their buying power
Casualty - Broadcasting/Linear TV networks

Leveraged high-profile brand, large user base, and ever deeper pockets, Netflix moved into original programming through exclusives and original content

Payoff - Largest library of original content, global distribution, pricing power
Casualty - Content networks

Google

EXHIBIT 388.R-088

Slide 87

3

AI: explore Shopify / PayTM / Codashop / TW PC OEMs as alternative relevant examples

Antoine Carriere, 3/12/2021

EXHIBIT 388.R-089

Billing optionality shortcomings

For backup

- “30% - X” fee could still be perceived as too high shifting issue from billing optionality to distribution & discovery

- Issues on charging digital goods vs. non-digital goods apps for same services provided becomes forefront

follow-up on next slide

- Operational complexity on still charging based on GMV, how do you still track consumer spend?

Google

EXHIBIT 388.R-090

Billing optionality shortcomings

For backup

Issues on charging digital goods vs. non-digital goods apps for same services provided becomes forefront

- Do nothing
- Differentiate discovery and distribution services
- Introduce a charge (or menu of charges)
 - Higher developer fee
 - Charge for outcomes we deliver (access, referral ...)
 - by download/updates, etc.
 - Charge for the value we enable only as it is realized
 - by GMV, time, ad inventory, opens, users, etc.

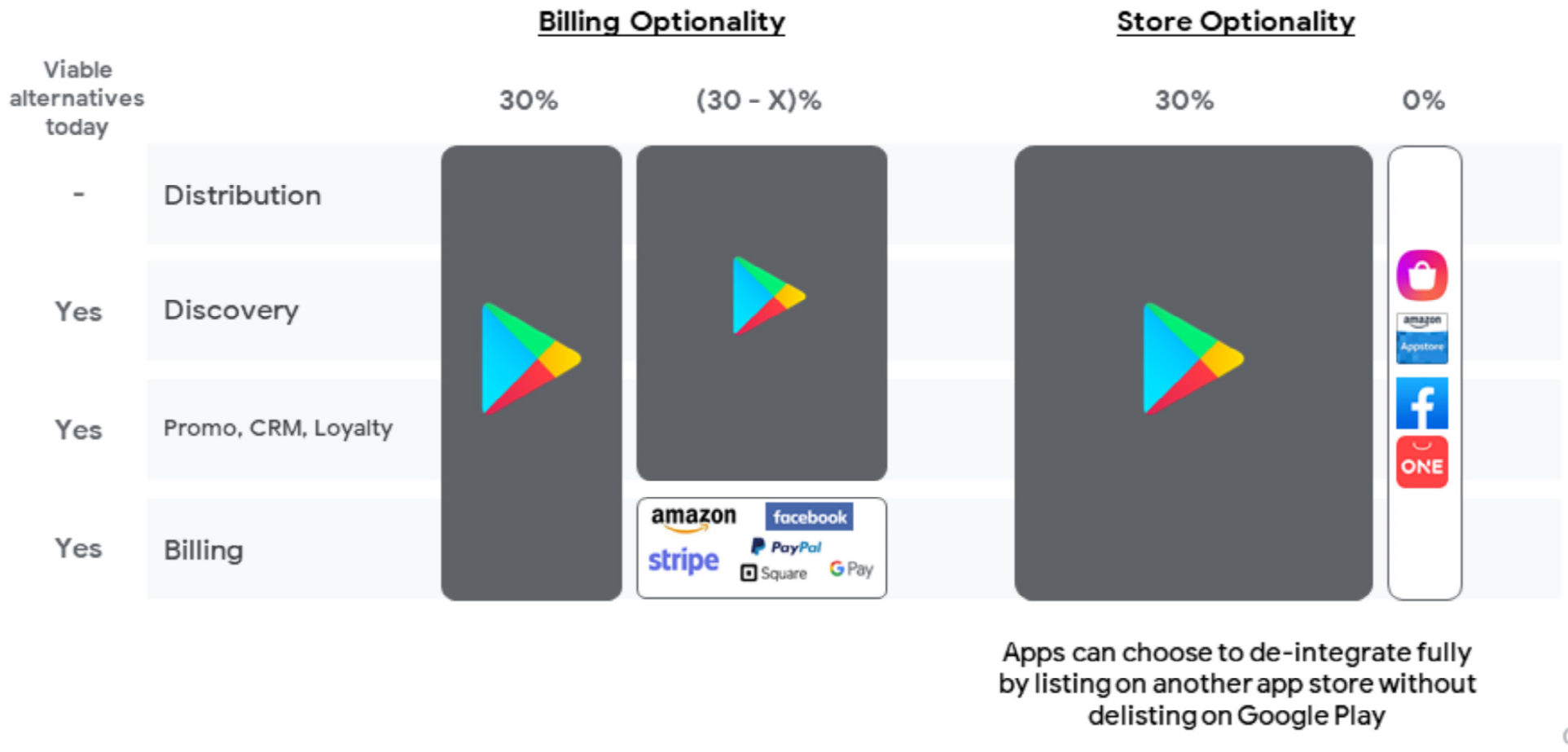
Google

EXHIBIT 388.R-091

Basecamp Store Optionality



Where to offer optionality?



- Is this a credible alternative?
- Distribution is a special power
- Aside from accelerating the end state, are there benefits

Store optionality has benefits

Billing Optionality

Store Optionality

Play's competitive position

Weaker?

Leans into Play's competitive strengths and ability to differentiate on distribution, discovery, T&S

Business model & Pricing

Arbitrary x2?

Is part of the value proposition

User experience

More complex?

Cleaner

Positioning in App Store debate

Accepting the debate as stated by stakeholders

Furthering the perceived positive difference between Google and Apple's approach

Google

EXHIBIT 388.R-094

Barriers to successful entry to date are fading

Platform wide restrictions



Android 11 & 12 actively addressing

User relationship



Several brands with large Mobile user base and strong user relationship

App catalog acquisition



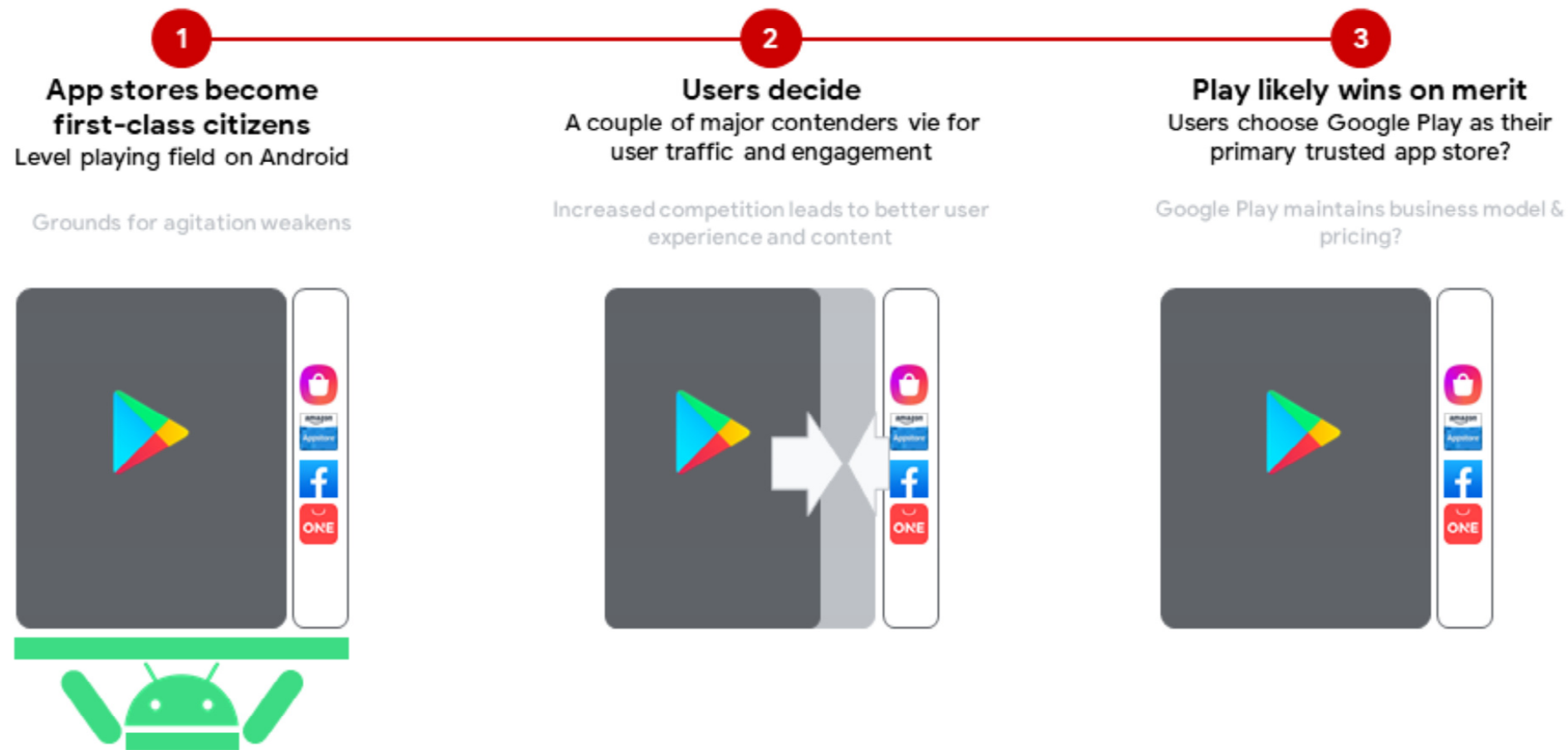
**Ways to support mass distribution;
Development tools maturity**

Google

Store optionality likely leads to user facing innovation

Play's position subject to delivering superior user & dev outcomes

Proprietary & Confidential



Google

- app stores made 1st class citizens on Android --> users decide --> Play likely to retain its position

EXHIBIT 388.R-096

Appendix



How would ecosystem evolve over time?

■ Integrated □ Not Integrated

- 1 Selective de-integration**
 based on developer's payment mix

Optimization and contagion leads to more de-integration

Agitation grows on 20-25% fee, ecosystem imbalance, and limited distribution/discovery alternatives
- 2 Consolidation**
 To a few primary service providers

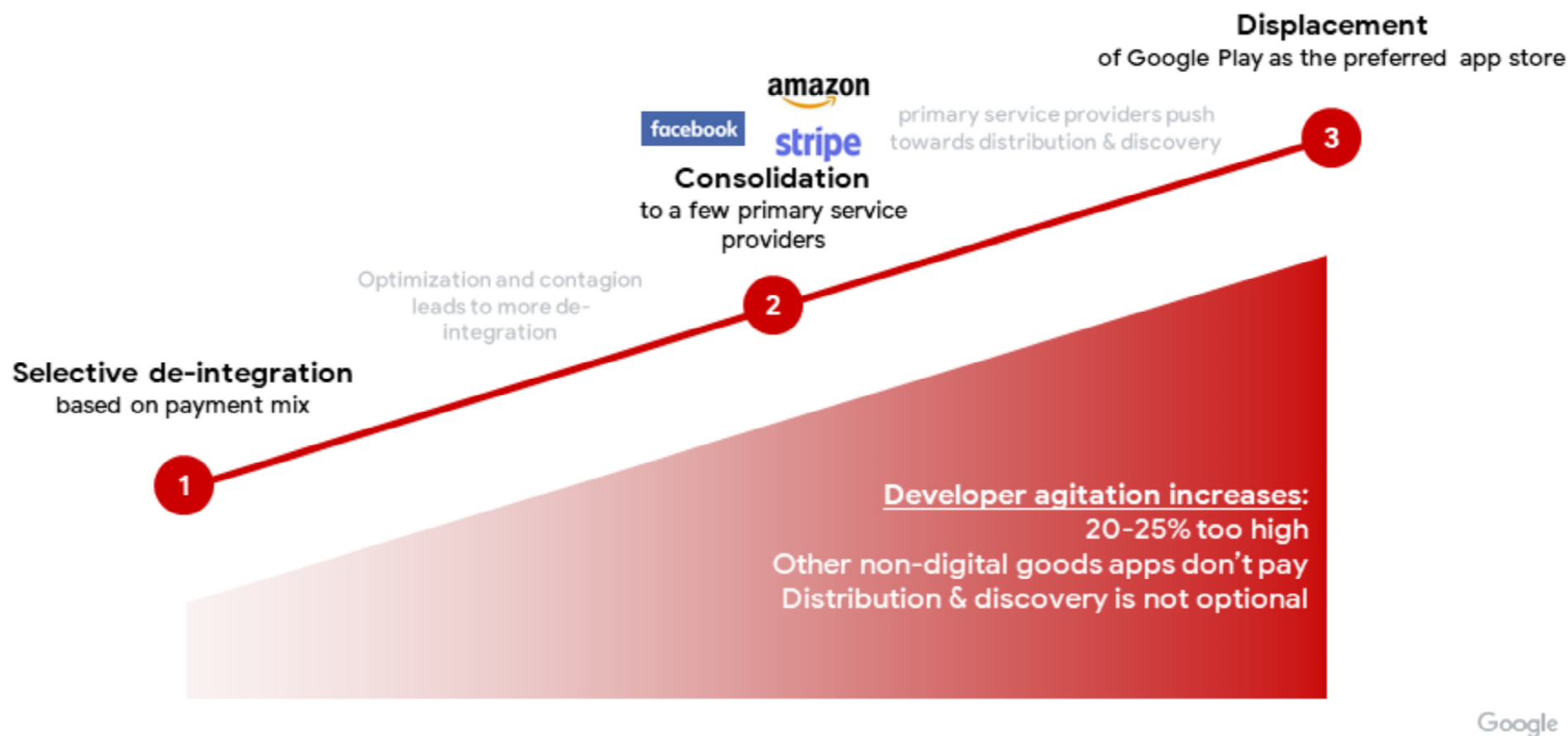
Primary service providers push towards distribution & discovery

Agitation reaches tipping point
- 3 Displacement**
 of Google Play as the preferred app store



- <https://marketingland.com/top-10-payment-processing-companies-world-175913>



How would ecosystem evolve over time?



- Is billing optionality a sustainable solution or a glide path to xxx end state
- Why would FB, Amazon, Stripe, Samsung do it?
- Consolidation
- Fixed cost business, low value add
- Amazon
- Facebook
- Samsung
- Stripe

EXHIBIT 388.R-099

Where to offer optionality?

	<u>All Inclusive</u> 30%	<u>Billing Optionality</u> (30 - X)%	<u>Store Optionality</u>
Viability alternatives			?
-	Distribution	Distribution	Distribution
Yes	Discovery	Discovery	Discovery
Yes	Promo, CRM, Loyalty	Promo, CRM, Loyalty	Promo, CRM, Loyalty
Yes	Billing	? Billing	Billing

Apps can choose to de-integrate fully by listing on another app store without delisting on Google Play ^{le}